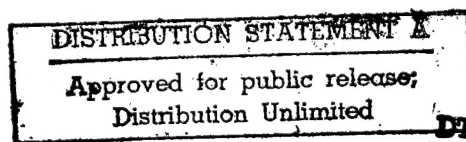


# ***JPRS Report***

## **China**



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# China

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8 January 1993

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## Politics Inside PEOPLE'S DAILY

92CM0036A Paris MINZHU ZHONGGUO  
[DEMOCRATIC CHINA] in Chinese No 11, Aug 92  
pp 66-69

[Article by Liu Shu (0491 2885), journalist from the Mainland now resident in Canada: "Politics Inside the PEOPLE'S DAILY (RENMIN RIBAO)"]

[Text] China is the biggest country in Asia, and it has the biggest newspaper in Asia. The PEOPLE'S DAILY has more than 2000 workers and staff, and plays an extremely important role in China's political life, and this role is the hardest to play.

### A Multifaceted Task

It has been determined that the PEOPLE'S DAILY should play a role that is sometimes leftist, at other times rightist.

In analyzing Chinese politics, Mr. Wu Guoguang [0702 0948 0342] once said that as the ruling party in Mainland China, the Communist Party must do two things. First, it must continually prove the correctness of its regime. Second, since it is a ruling party, it cannot completely ignore society and the economy. If it ignores social issues and production, its existence will be threatened no matter how correct it proves itself to be. If it only pays attention to production and social issues while ceasing propaganda, its lifespan will not be long, either, so the party must simultaneously play two fundamentally opposite roles.

In the division of work in political organs, it is ideological propaganda and political control organs which do the Communist Party's propaganda work. They are inextricably tied to such leftist slogans as "the four cardinal principles." Such are the talismans upon which they depend to practice their handiwork. It is organs which manage production and everyday life which play the latter role. If it is to improve production efficiency and prevent resentment from rising too high, the regime cannot remain always stuck in a leftist rut; it must readjust policies in accordance with the necessities of production and the proper demands of the masses. These readjustments are often considered rightist.

As an official newspaper of the Central Committee, the PEOPLE'S DAILY must speak with two voices. When it is attending to concrete social issues and reflects changing political trends, it is often criticized by the Ministry of Propaganda. When it must speak with a leftist voice, local authorities and the masses often criticize it, saying it is wishy-washy. It is well known that the PEOPLE'S DAILY has long had a rocky relationship with the Ministry of Propaganda.

It is true that the PEOPLE'S DAILY does not pay much attention to the Ministry of Propaganda. Some say that is because these two organs have equal bureaucratic standing, one being a major ministry and the other being directly under the central leadership. This is not actually

the most important factor; the Communist Youth League, unions, the All-China Women's Federation, and the All-China Federation of Literature and Art are also under the direct jurisdiction of the central leadership, so why do these others not have the same problems with the Ministry of Propaganda that the PEOPLE'S DAILY has? The main factor is the nature of the PEOPLE'S DAILY itself. Although other organs, such as the Communist Youth League, play not totally similar roles, their functions are not as necessary as that of the PEOPLE'S DAILY. They can play their hand a little to the left or right, or even duck issues entirely, and still get by, but this is not an option for the PEOPLE'S DAILY. It must continually speak. Its task is not as simple as that of the Ministry of Propaganda; it must also speak the voice that comes from the grassroots level. When it does, the Ministry of Propaganda says it is rightist.

Similarly, those at the grassroots level and those involved in production are not satisfied with the PEOPLE'S DAILY, either. Many people grumble about the PEOPLE'S DAILY because it gives voice to all leftist utterances, and even extremely leftist utterances. Sometimes it takes extraordinarily hard, leftist stances. In addition, it sometimes criticizes the darker side of society, which creates displeasure among local governments, and organs in charge of production are also dissatisfied with the PEOPLE'S DAILY. In the meetings of provincial and municipal leaders held every year by the central authorities, the PEOPLE'S DAILY is almost always attacked from both the left and right. People above and below, left and right, are all dissatisfied with it.

### The Effect of Two Types of Pressure

As the mouthpiece of the party, the PEOPLE'S DAILY leans primarily to the right. Its top people have been purged in every political movement since the Cultural Revolution. During the Cultural Revolution, the so-called mayor of "Sanjia Village," Deng Tuo [6772 2148], was purged. After the Cultural Revolution came the Spiritual Pollution Movement (also known as the little Cultural Revolution), in which Wang Ruoshui [3769 5387 3055] was purged. During the anti-bourgeois liberalization period, Hu Jiwei [5170 4921 0251] was brought down, and after the 1989 democracy movement, director Qian Liren [6929 2621 0088] and deputy editors in chief Tan Wenrui [3389 2429 3843] and Fan Rongkang [5400 2837 1660] were fired. They were all sacked as rightists. Why is the party's mouthpiece continually being purged? Why are the teeth always fighting with the tongue?

Due to internal contradictions in its role, the PEOPLE'S DAILY is a very difficult paper to run. One source of external pressure comes from above, from its board of directors—the Communist Party Central Committee—from whence proceed rules and directives more binding than any constitution. The PEOPLE'S DAILY must transmit the utterances of the Central Committee. It occupies a key position in national political life, and is often warned that "the party newspaper cannot give

voice to heterogenous views," which is to say, views which are not very much in line with those of the Central Committee. All government organs, enterprises, villages, schools, and military units must subscribe to this newspaper. It is not news; it is political reading, a government document, the law in disguise, and sometimes a morals tribunal. It acts like a fawning daughter-in-law raised in the home of her in-laws, but it also can be a sharp-tongued ghoul whose words can mean heaven or hell, the difference between life and death.

The second source of external pressure is the masses. This pressure is not transmitted through documents, yet is ever present and subtle. Furthermore, it is growing stronger. As Western ways gradually creep into China, people who want to cry out against injustice, hope to express political views, or are attempting to expound upon new ideologies all demand the PEOPLE'S DAILY devote a small space for letters to the editor. Social reality makes itself felt every day to PEOPLE'S DAILY workers and staff via relatives, friends, and acquaintances, whether it happen by means of casual street conversations or well-orchestrated surveys. At such times, the PEOPLE'S DAILY is like a powerful king in plain clothes, or a great feudal lord. Every square inch of its space is extremely valuable. Every bit of recognition or praise it grants is dazzling to the eyes, because there is no other mouthpiece. Even though it is a hoarse mouthpiece, it is here where people want to have their say. The sound of every voice clamors within earshot of the PEOPLE'S DAILY. Although it is not mercury inside this newspaper, the PEOPLE'S DAILY still expands and contracts in response to the temperature of society. It is a crude barometer, but a barometer all the same.

These two types of pressure are reflected within the newspaper. Some people feel it important to carry out the will of their superiors. Of these people, some do believe that by using the paper to hand down directives from on high and to pass along information about the grass roots, they are spurring social progress. Some people hope to use the paper to become a big, rich official. Some separate conscience from profession, eating from the Communist Party's plate while keeping their true beliefs to themselves. The types who commit errors because their thinking is outdated are, to a certain extent, forgiven, because they truly believe what they say, which is sometimes cute. Those who only have an eye to advancement are generally despised. These people are not in the majority within the PEOPLE'S DAILY, but they switch allegiance at the drop of a hat, and the stench of their perfidy is nauseating at times. When they are down and out, they work so hard, sniffing here and licking there. When they are riding high and have the reins in hand, they bark out orders and burn with an arrogance hot to the touch. At times they strut around insufferably.

Standing in opposition to these people are the so-called "liberalized" people. Some of these are old journalists who have been through several decades of the Communist Party and its system.

Some are middle-aged people with a relatively thorough understanding of Marxism which has led them to a critical view of Chinese politics. Some are a totally new brand of young people who have recently arrived at the journalistic battle front. These people are totally at odds with the philosophy of journalism which has held sway for decades. Rather than saying that they work at the newspaper for the newspaper's sake, it would be more accurate to say they work there to make a living, because the newspaper they have in mind does not exist. Every day, they harbor endless rage, unspoken disgust, pain that only hard liquor can dull, and depression that only a passionate love affair could dispel. It is they who shall sire the volcano of the future. Their scrotums and ovaries are full of the seed of new journalistic thought, but they cannot copulate on the bed of Mao Zedong's cruel journalistic thought. Their occasional squeals and ejaculations are only the menstruation and nocturnal emissions of their new journalistic thought.

The great number of people who fall between these two groups can bear with the pain and submit to the will of their superiors, yet still keep watch for small or large changes in climate that might offer the opportunity to demonstrate their true beliefs. Having long accepted the inculcations of their superiors against their will, they have developed some strange habits. For example, when they occasionally discover a change which is slightly progressive, they may exaggerate its significance. They sometimes crow about extremely subtle or even meaningless change. Faced with a climate of tremendous suppression, some of them gradually become quite conservative and hope for a liberal emperor. There are quite a few middle-aged people of this ilk.

The people with all these different ideologies adopt different attitudes toward the two types of external pressure described above, but no one can completely withstand both types of pressure. In 1986, the Ministry of Propaganda once criticized the "Letters from the Masses" section in the PEOPLE'S DAILY for being too folksy, and authorities everywhere complained that this section affected their work, so it was scaled back for a time, but pressure from the people is very powerful. Those sharp conflicts cannot but have a psychological impact upon the newspapers workers and staff, and affect their behavior. That year a woman from the Northeast, after appealing in vain for a long time to the higher authorities for help with a problem back home, burned herself to death in the entrance to the PEOPLE'S DAILY. "Rightist" forces took advantage of the incident to demand that the paper "reflect the desires of the people and show concern for their suffering." The "Letters from the Masses" section once again became active. Even very leftist people had no good reason to oppose this. Similarly, when conditions are favorable to the leftist faction, the PEOPLE'S DAILY must bow to the pressure and publish leftist views.



### The Strength of Youth

Besides old journalists at the PEOPLE'S DAILY, in the last ten years most new blood has come from the Institute of Journalism. Administratively, the Institute of Journalism belongs to the Chinese Academy of Social Sciences (CASS). The institute has a journalism department, but the institute has never had much funding, and certainly not enough to run a school! The PEOPLE'S DAILY pitched in money and housing and the Institute of Journalism lent its personnel, however, and the endeavor got off the ground.

The only condition was that the graduates of the institute would have to be assigned to the PEOPLE'S DAILY. For CASS, that amounted to giving a gift it had only borrowed in the first place, which it was happy to do. It did not need all those graduates, anyway. For the newspaper, it amounted to having its training hired out. All it had to do was provide a little money. Someone else did the training; all it had to do was take in highly educated employees. It was just like spending money to train its own people. Naturally it was a good deal. Since 1979, hundreds of graduates have arrived at the PEOPLE'S DAILY from there. For 200 to 300 college graduates to join a newspaper represents a big change for that paper's editorial staff. Those people are very different from people who graduated in the 1950's and 60's. Their political aspirations, journalistic concepts, values, and behavior are all clearly those of a new generation. Most of them now constitute the backbone of the various editorial sections.

Graduates of this journalism department at the PEOPLE'S DAILY include Luo Rongxing [5012 2837 5281] the former assistant director of the Science Education Section, Ai Feng [5337 0023], the current director of the Economics Section, Wu Guoguang, the former editorial writer, Wen Zijian [3306 1311 1696] and Feng Yuan [7458 1254], of the Sports Section, Zhu Huaxin [4376 5478 2450] and Li Hongbing [2621 3126 0393], of the Science Education Section. This journalism department is the Whampoa Academy of the PEOPLE'S DAILY.

Zhu Huaxin was punished with a severe internal warning by the party for June 4th activities. Li Hongbing was suspended for a long time, then it was reported that he was purged for involvement in the publication of a tome of "counterrevolutionary poetry" which satirized Li Peng. Wen Zijian was transferred out of the PEOPLE'S DAILY and has since found a job with a privately run company. Feng Yuan, wife of former deputy editor in chief Wang Ruoshui, has also been purged in the aftermath of the 1989 democracy movement. This group of people in the newspaper cannot be swept out in a short time. They have become a force. With their understanding of truth and zeal for progress, plus the nurturing of the older journalists, these people have brought a certain climate of righteousness to the newspaper. Whoever blindly follows the authorities is regarded as disgraceful, while those who think independently are admired; whoever can publish an article that is popular

with the readership is an upstanding person; whoever toadies up to superiors just to get promoted and make a lot of money is despised; whoever publishes an article which depicts the liberal and progressive currents of the times is talented, while whoever acts like a latter day literati at the service of the emperor is detested; whoever has new ideas and is able to defend them is respected, while anyone who sticks to well trodden paths and muddles his or her way through life is forgotten. These people even evaluate new lifestyles and forms of behavior in a rational manner. No one would stoop to behavior which in the past was considered normal, such as currying favor with leaders, selling out co-workers to get promotions, talking nonsense and reporting the news as if the world were a utopia. These graduates have made a great contribution toward the formation of this climate. To be sure, they may not be able to say or remember clearly that they stood for or acted on behalf of anything specific with regard to any particular issue, but it has been precisely their honest and candid expressions of opinion which have scared the demons back into their shells. In the midst of this climate of righteousness, no one feels isolated any longer. After the June 4th Incident, Zhang Shu [1728 2118] was arrested in connection with the special edition of the PEOPLE'S DAILY, and an arrest warrant was issued for Wu Xuecan [0702 1331 4732] after he obtained evidence that soldiers killed people. In the past, many people would have taken advantage of such incidents to speak ill of the people in trouble, or worked hard to prove one's own innocence, distancing themselves from those people, but their family members this time were well taken care of. The young people, in particular, angrily expressed their indignation, which somewhat curbed the behavior of the shameless types. Due to this climate, after June 4th the authorities dared not promote extreme leftists, or at least could not do it openly; instead, it was those who were leftists but nevertheless not too disgusting which were promoted.

Of course, the young people at the PEOPLE'S DAILY have their own unique troubles. They are unwilling to wait for a liberal emperor; a hero cannot escape the limitations of real world authority. The young people are very troubled. Measured against one's ideals, all the little excitations of real life amount to nothing more than quenching one's thirst by thinking of plums, or allaying one's hunger by drawing cakes. They cannot find the point at which to apply their ideals to the solution of real problems. There are no shortcuts or secret passages, only a long, slow journey. This depresses them. They persuade themselves to maintain a political numbness. They think of themselves as hermit crabs. Their job is their shell. The shell may be something that goes totally against their aesthetic principles. It may be a dead snail, a clam shell, or even a hollowed out cobblestone. They intend to dodge danger there. When it is necessary to seek food, they emerge. Employment is a shell; their heart is devoted to their interests. They have other places for spiritual and cultural pursuits—the "little circles" so

ubiquitous in Beijing. Only in times of danger or necessity do they praise their shells; normally they are indifferent to them. Their thoughts dwell upon the beach and vegetation. They have all the editors they need, all the reporters they need, all the workers in the other departments that they need.

They regard with sarcasm the conservative political views and foolishly rigid propaganda of their superiors. They open little circles to serve as spiritual salons, where they happily enjoy the food to be had in their spiritual feasts. They express their ideas at every opportunity. They use dissimulation, innuendo, irony, tongue-in-cheek, and subtle hints to disseminate their ideas. Sometimes only one sentence in a long essay will express their true meaning, but they believe that readers will catch their drift and flash a knowing grin. Their writings are also done in the style of a hermit crab. A profusion of weeds surround a single brilliant flower; a half-buried pearl lies barely visible in a pile of gravel; a diamond lies concealed beneath a ton of garbage. Although such methods seem saddening, they nevertheless comprise the actual art of life (and especially spiritual life) as practiced by the Chinese people of today. Secure, clever, humorous. They can express themselves, and they can cover up. This is the style of China's fashion setters. Those on the outside should make an effort to understand them, and not ridicule them. They have done everything possible in that environment. There are cultural Trojan horses everywhere in China. The day will come when their enemies discover a commotion in the bellies of all those wooden horses. They will jump out of the horse's belly when the time is ripe. Hermit crabs, too, can be ferocious when angered.

The emotional state of the younger generation is often demonstrated in newspaper articles.

#### Historical High Water Marks

The PEOPLE'S DAILY is not an easy place to be; touch a brick and you step on the toes of some heavyweight. This is illustrated by a story which to this day has not yet reached its conclusion. The rear office of the Academy of Agricultural Machinery wanted to build an entrance, but the PEOPLE'S DAILY would not allow it. That half-finished project is still standing there on the south side of Jintai West Road. Years earlier, to prepare against the eventuality of war, the Academy of Agricultural Machinery moved to Shaanxi province, and in order to care for some elderly and infirm residents, the PEOPLE'S DAILY let them stay in a few apartments (the rear office), but the property was turned over to the People's

Twenty years later, the Academy wanted to return, so they put up a fence around that rear office, built another entrance, and would not allow anyone from the PEOPLE'S DAILY to go in or out that way. The PEOPLE'S DAILY sued them. This tiny incident involved two premiers. Li Peng was serving concurrently at that time as director of the State Education Commission. He disliked the PEOPLE'S DAILY and was sympathetic

toward the Academy. However, the PEOPLE'S DAILY was no pushover. It had a document signed by Zhou Enlai proving that the property had been turned over to the PEOPLE'S DAILY. The two parties have disputed the issue for years, and it remains unresolved to this day.

Apart from administrative matters, political and ideological issues are even more complex. Gao Di [7559 3695] may have had a low opinion of this lair of formidable talent. Regardless of whether they have been liberals or conservatives, very few directors or editors in chief at the PEOPLE'S DAILY have left their posts in a quiet manner. Deng Tuo was the most prestigious leader at the PEOPLE'S DAILY before the Cultural Revolution. He dared to speak frankly, was learned, and had excellent leadership skills. Then Mao Zedong made him the first sacrificial lamb on the altar of the Cultural Revolution.

Hu Jiwei's prestige was based on his ability and style. The first time he was criticized was for proclaiming the popular nature of newspapers. He believed that newspapers cannot only stress their party nature while ignoring their popular nature. This theory ought to be airtight and applicable anywhere, but it was criticized as a product of bourgeois liberalization. Under the leadership of Hu Jiwei, the PEOPLE'S DAILY paid little heed to the Ministry of Propaganda or the leftist faction. Hu Jiwei's implementation of his theory of the popular nature of the newspaper won more and more praise from the people for the PEOPLE'S DAILY, but it caused a lot of problems for the paper itself. With Hu Jiwei at the helm, the paper became a core. This core was not a simple power core, but a core based upon a group of people with similar journalistic thought. There arose a whole forest of thought. When one plot was cut down, secondary growth would quickly arise to replace it. Deng Tuo was the guiding spirit of the virgin forest; Hu Jiwei was a giant tree among the secondary growth. Hu Jiwei provided a prevailing spirit which, while never too concrete, was understood by everyone. Hu Jiwei supported the 1989 democracy movement and was branded as a major proponent of bourgeois liberalization. Deng Tuo and Hu Jiwei represent a political high water mark for the PEOPLE'S DAILY. This high water mark cannot easily be surpassed, but over a long period of time it is very difficult to keep the water from rising again. In the face of this high water mark, Gao Di is beleaguered. In a period of change like China is presently experiencing, a person like Gao Di, whose ideological mooring is based upon opposition to bourgeois liberalization, is apparently not an appropriate choice to head the PEOPLE'S DAILY. His power cannot last long.

The PEOPLE'S DAILY cannot extricate itself from the difficulty of its role. It is beset by the contradictory nature of its task, opposing internal forces, and the influence of society. This will not change fundamentally while the Communist Party rules. It is unrealistic to hope for the PEOPLE'S DAILY to show a single face or speak

with a single voice. Regardless of who is in charge, the basic predicament of the PEOPLE'S DAILY will not change.

**Biodata on HK-Macao Office Director Lu Ping**

92CM0404A Hong Kong KUANG-CHIAO CHING  
[WIDE ANGLE] in Chinese No 239, 16 Aug 92  
pp 24-30

[Article by Duo Duo (1122 1122): "The Truth of Lu Ping's (7627 1627) Life"]

[Excerpts] [Passage omitted] Before joining the Hong Kong and Macao Office of the State Council, Lu Ping had worked for over 20 years for CHINA RECONSTRUCTS, a magazine of the Foreign Literature Bureau designed for overseas readers. Lu Ping was the deputy chief editor of the magazine.

His dedication was fully demonstrated at that time. In order to increase work efficiency, he designed a mobile chart to hang on the wall so that everyone in the editorial department could easily keep track of each article and each day's progress. To set an example, he made sure that he finished whatever needed to be done that day. In order to ensure the quality of articles, he personally wrote some articles in internal publications, reminding people to avoid dogmatism, rigid formality, and poor ideas and discouraging slogans that equated the winning of a ping-pong game to the great victory of Mao Zedong Thought. He asked: "What do we say if we lose...?"

The article, entitled "How to publicize Mao Zedong Thought," became evidence of crime committed by Lu Ping against "Mao Zedong Thought" during the Cultural Revolution. Lu Ping was criticized and denounced at a public meeting and then sent to "May 7 Cadre School" to do manual labor.

At the cadre school, Lu Ping grew vegetables, raised hogs, and repaired hand carts. Because he went to a technical middle school and had experience in repairing and installing radios, he later became an electrician of the cadre school.

Lu Ping was among the last group of cadres to be "liberated" in the Foreign Literature Bureau. In 1978, Liao Chengzhi [1675 2110 1807] was in charge of organizing the Hong Kong and Macao Office of the State Council. The revered Liao was Lu Ping's old boss. Because of this, Lu Ping also became one of the founders of the Hong Kong and Macao office. [passage omitted]

Lu Ping's father was a famous educator. After New China was founded, Lu Ping persuaded him to return to the motherland. During the entire Cultural Revolution, the old man lived with his only son in the cadre school, suffering both mentally and physically. [passage omitted]

It was revealed that Lu Ping is the only person of the Hong Kong and Macao Office of the State Council who has been a part of the entire process of the following

major events: the decision of the Chinese Government to regain the sovereignty of Hong Kong, the signing of Sino-British "Joint Declaration," the formulation of basic law for the Special Administrative Zone of Hong Kong, and the negotiation between China and the United Kingdom on Hong Kong's new airport. It seems that his colleagues in the Hong Kong and Macao Office of the State Council respect Lu Ping not because of his experience but because they admire his familiarity with Hong Kong and Macao affairs, his thorough understanding of high-level policy making, his sensitiveness in political affairs, and his calmness in handling problems and devising strategies. [passage omitted]

Lu Ping is not the kind of person who would stay calm and collected at the critical moment. When China and Britain first began to negotiate on the issue of Hong Kong's new airport, Hong Kong reporters interviewed Lu Ping in Guangzhou who was then a member of the drafting committee of basic law for the Special Administrative Zone of Macao. They asked him why the Chinese Government cared so much about the financial reserve of the Hong Kong British government on the issue of building Hong Kong's new airport. Without any intention to hide his attitude, he asked a point-blank question in reply: "If there is only small change left in the financial reserve of the Hong Kong government by 1997, what are you going to do? Tell me, what are you going to do? What are you going to do?"

Some newspaper articles made fun of Lu Ping for saying "what are you going to do" three times. One television reporter interviewed pedestrians on Hong Kong street corners, asking them what they thought about the airport issue. All five people who were interviewed unanimously thought that Lu Ping's questions were reasonable. This shows that "what are you going to do" was also the worry of Hong Kong people. Lu Ping did not create the rumor. [passage omitted]

The negotiation on Hong Kong's new airport once reached an impasse. Not only Hong Kong residents but also leaders of many nations showed concern over this matter. It took nine months of efforts for the two sides to reach an agreement. Led by Lu Ping, the Chinese negotiation team upheld principles while maintaining flexibility, another testimony to Lu Ping's favorite remark: "We truly and wholeheartedly wish that Hong Kong can maintain prosperity and stability. We do not have any selfish interest."

At 8:00 p.m. on 30 June 1991, in Building 14 of Diaoyutai in Beijing, Lu Ping and Sir Percy Cradock, personal diplomatic advisor of the British prime minister, signed the draft of "Memorandum on the Understanding of Chinese and British Governments on the Building of Hong Kong's New Airport and Related Issues." When they raised champagne glasses, the seasoned diplomat Sir Percy Cradock told Lu Ping: "I admire you very much. You are an outstanding defender of your country's interest." [passage omitted]



Later, the "Memorandum on Understanding" was officially signed and put into effect by Chinese Premier Li Peng and British Prime Minister Major [passage omitted].

Lu Ping grew up in the concession of old Shanghai and personally witnessed how big powers oppressed the Chinese people and how people in colonies and semi-colonies suffered humiliation. Because of this he truly understands that only a powerful country can guarantee pride for its people. When receiving friends from Hong Kong, he frequently talked about this feeling. During the reception of a visiting delegation from Hong Kong in Diaoyutai, a member of the delegation advised him to increase the ratio of foreign-national judges in the courts of final instance in Hong Kong. Hearing this, Lu Ping raised his voice and said: High-level autonomy and rule of Hong Kong by Hong Kong people is not an empty slogan. Is increasing the number of foreign judges the only way to bring about legal justice? How come you do not even have basic trust in your own judges? People could tell that Lu Ping was really angry.

Lu Ping's parents were educated overseas. He himself also attended foreign schools. But he told reporters: "Do not think that all foreign-educated people are slaves of foreigners." By personal example and verbal instruction, his parents have been teaching all their lives to make their son a real Chinese who has backbone. When he was young, he was never a subservient child. He always played the role of a vanguard during group fights with foreign children. After the Pearl Harbor Incident in 1941, the Japanese entered the concession and took over the American school where Lu Ping was going. One time when a Japanese teacher guided students in shouting the slogan "long live the great Japanese empire," Lu Ping raised his arm and shouted: "Long live the great China!" At another time, he deliberately pushed the podium to the edge of the platform. The teacher barely touched the podium when it fell over with a thump, causing the Japanese teacher to be embarrassed and all students to burst into uproarious laughter.... [passage omitted]

Lu Ping was known among the younger cadres of the Hong Kong and Macao Office as the "language talent." In addition to English, he has studied Japanese, Russian, French, Spanish, and Latin. He and another person jointly translated a Spanish book. Since he has had frequent contacts with guests from Hong Kong and Macao, he now has no problem understanding Cantonese. [passage omitted]

In March 1991, Lu Ping made his first visit to Hong Kong after he was promoted to the director of the Hong Kong and Macao Office of the State Council. One of the agenda was to give a speech at the Hong Kong Chamber of Commerce. A Chinese speech was prepared in advance. But because the majority of the audience were overseas investors, Lu Ping changed his mind about giving the speech in Chinese.

On 9 March 1991, a Hong Kong newspaper reported as follows: "Before his speech, Lu Ping said that he had planned to give the speech through an interpreter. But he was afraid that it would be boring for the guests in the audience so he decided to give the speech in English." Not only did he give a 25-minute long speech in fluent English but afterwards he also spoke frankly about his thoughts to the Chinese and foreign guests in the audience. Lu Ping said: "I have handled Hong Kong and Macao affairs for 10 years. I have developed a special feeling for Hong Kong. I sincerely hope that Hong Kong continues to be prosperous because Hong Kong's prosperity is also China's prosperity. In the name of the director of the Hong Kong and Macao Office, I promise you that I will do my best to create an environment needed for continuous success because your success is the same as our success."

Enforcing the idea of "one nation, two systems" is a brand new thing. Deng Xiaoping is the chief designer of this idea, and Lu Ping is like an engineer, dedicated to the enforcement of this idea. He has been exploring continuously. With his wisdom and talents he has taken up one challenge after another. He has been working his heart out and yet he has never complained about being tired. This probably has something to do with his special interest in new things.

When he was young, Lu Ping studied in the Agricultural College of St. John's University in Shanghai. He took as electives two classes which had little to do with agriculture: one was sociology and the other, logic. Once the test subject was Malthusianist population theory. Lu Ping gave an answer which was completely different from what his teacher lectured in class. Much to his surprise, the teacher gave him a high score for expressing his own thoughts and making sense. Lu Ping learned a lesson from this: Never be content being a person who sticks to convention. [passage omitted]

Even now Lu Ping still encourages young cadres to be creative and have the pioneer spirit. When his subordinates propose a differing idea, he is always happy to listen. As long as the idea makes sense, he will appreciate it or even gladly accept it.

With regard to those books which introduce current new disciplines, new trends, and new concepts, Lu Ping has as much interest as young people. Lu Ping has read books that are popular among Chinese college students, such as *The General Trend* and *The Third Wave*. Recently he finished reading the English version of a Japanese book, called *The Japan That Could Say 'No'*. [passage omitted]

In January 1992, on the invitation of the Hong Kong governor, Lu Ping visited Hong Kong. While in Hong Kong, He spent as long as 14 days attending various activities. The three persons who accompanied him were all younger than he, but they were exhausted when they returned to Beijing while Lu Ping, without showing any sign of fatigue after the Hong Kong visit, went directly to

Guangzhou to attend the Expanded Meeting of Directors of Basic Law Drafting Committee of Macao Special Administrative Zone.

Every day Lu Ping reads and comments on official documents which contain tens of thousands of words, equivalent to a medium-length novel. There are 10 newspapers, including an English paper NANHUA MORNING NEWS, which he must read every day. If he does not finish reading all the papers, he will take them home. He strives for efficiency. He will never put off things that need to be done today. It has become his habit. Because of this, he has no work in arrears. [passage omitted]

Lu Ping has frequent receiving duties. He does not know himself how many Hong Kong and Macao delegations he has received each year. During the peak season, he receives one a day, sometimes more than one.

Regarding Lu Ping, someone in the Hong Kong and Macao Office told me that he was "extremely energetic." But Mr. Ning, Lu Ping's senior chauffeur, said: "Lu Ping works too hard. Sometimes he falls asleep in the car." [passage omitted]

I asked Lu Ping: "What was your happiest moment in your life?" Without thinking he replied: "The passing of the 'Basic Law of Hong Kong Special Administrative Zone.'"

For the production of the "Basic Law," which was later praised by Deng Xiaoping as "a creative masterpiece" and "a legal work of historical and international significance," the drafting committee as a whole labored for four years and eight months. As the secretary-general of the drafting committee, Lu Ping naturally devoted more time and effort than others.

On the night of the passing of the draft basic law, in the celebration party of Guibin Restaurant in Beijing, Lu Ping sang in joy. He and Li Hou [2621 0683] shuttled back and forth among the guests to cheer with everyone. He was laughing so loud. He could not even close his mouth.

I did not know until two years later that he shed tears during the vote in the Yunnan auditorium of the Great People's Hall.

Lu Ping said to me: "When I heard the announcement that all the clauses of the draft of 'Basic Law' were passed with over two-thirds of the votes and I saw people standing up and applauding, I could not help but cry. I was moved, thinking that I have finally done a meaningful thing for the country, that I have finally done my share for Hong Kong's prosperity and stability, and I have not wasted my life...." [passage omitted]

Sixty-five year old Lu Ping calls the Hong Kong and Macao Office the last stop of his career: "There are not many years left in my career, but I will spare no effort in the performance of my duty." [passage omitted]

Lu Ping is strict with his subordinates. During the period of the meeting of basic law of Hong Kong Special Administrative Zone, workers of the Secretariate lived in hotels. Lu Ping asked them to wash their own underwear instead of bothering hotel service personnel. When he found out that some people still put their underwear into laundry bags, Lu Ping criticized them severely. [passage omitted]

Lu Ping is even stricter with himself. Whatever he demands of others, he will do it first to set an example. Sometimes he returns from a business trip late at night, but the next morning he still goes to work on time. When he receives guests, regardless of their ranks, he always arrives early. He always waits for the guests and never lets the guests wait for him.

Lu Ping also has an easy-going side:

In 1990, some workers of the Hong Kong and Macao Office moved into new residences. Lu Ping used Sundays to visit each and every resident. During the New Year holiday, Lu Ping took an enamel lunch box and joined everyone in eating the "family reunion dinner." Sometimes, Lu Ping would get into a heated discussion with young people about a ball game in a television program broadcast the night before, causing people to forget his age and that he is a leader....

This is why it is so natural that nobody in the Hong Kong and Macao Office addresses him as "director" and everyone calls him "Comrade Lu Ping." [passage omitted]

Many Hong Kong and Macao reporters thought that Lu Ping's office was mysterious because Lu Ping declines private interviews. Most reporters who want to interview him have to rely on the tactics of chasing and blocking.

In fact, it is not that hard to find out where Lu Ping's office is located. After the bell sounded at the end of the work day in the Hong Kong and Macao Office, there is often a light on in a window on the third floor; that is where Lu Ping works.

This room is about 30 square meters. It has a large desk, two single dressers, a folding bed, and a safe. Except for two poinsettia plants, there is no decoration, not even a calligraphy or painting on the wall.

A very comfortable quilted jacket, the kind that Beijing people love to wear, hangs on the bed frame. The dull color and the common style of the jacket make it hard for us to believe that it belongs to Lu Ping, one who is always dressed in Western-style cloth and leather shoes when he is "on camera."

The built-in bookcase across from the desk is filled with books. The titles of the books suggest that they are almost all related to Hong Kong and Macao covering the areas of law, politics, taxes, currency, finance, inflation, labor, business environment, culture, education, literature; in addition, the general situation of Hong Kong and

Macao as well as an almanac. However, in the corner there is a book called *Advice on Illnesses Frequently Seen Among Senior Citizens*.

*The Joint Declaration* and the *Basic Law of Hong Kong Special Administrative Zone* cannot be found among all the books related to Hong Kong and Macao because Lu Ping has special feelings for these two books. He keeps them where they are readily accessible—in the left drawer of his desk.

Lu Ping's desk is very large. The most expensive decoration on his desk is the pen holder which was a gift from the Chinese Chamber of Commerce in Hong Kong. The pen in the holder is not the original one, however.

He uses a thermos to drink water. He must have used this cup for many years. Otherwise, how can there be so many cracks on the lid?

Every day Lu Ping brings a box of leftovers from home and heats it up in the office for lunch.

He would also ask his secretary to buy two steamed buns to take home for breakfast the next morning.

Once a cook in the kitchen asked that secretary: "How can you eat so many steamed buns by yourself?"

"They are not for me, they are for my boss."

The cook was a little shocked: "What? Your boss eats steamed buns?"

The secretary was also a little shocked: "If he does not eat steamed buns, what is he supposed to eat? Gold?"

Due to his work, Lu Ping often gives banquets or is invited to banquets. Some people call it a privilege, but Lu Ping's reaction is "God knows!" He takes fine wine and food very lightly. What is important to him is to make friends. [passage omitted]

Lu Ping, who is busy with work during the weekdays, often uses Sundays to take care of some chores in the house. He also has many hobbies. In the past he liked to assemble radios and repair electronics. He often stayed up all night when he could not make them work. He is fairly well-known for his skills in his neighborhood. When neighbors have problems with their lights or electric ovens, they will ask Lu Ping for help. Now he has no time to do such things. But not long ago, Chen Zuoer [7115 0146 3167], a department director of the Hong Kong and Macao Office of the State Council, had to ask for Lu Ping's help when he installed a cordless phone in his house. [passage omitted]

When he was young, Lu Ping loved sports. He took part in almost all activities such as track and field, swimming, volleyball, soccer, basketball, ping pong, badminton, and tennis. He said his favorite sport was baseball.

Lu Ping loves to read. He was famous for reading all the time in the cadre school. He said he read many novels when he was young. He enrolled in an agricultural

college due to the influence of those Russian novels depicting collective farms. Now he likes to read biographies and political readings regarding international issues. Some people think that it is tiring and boring of political books. Lu Ping does not agree. He would read Chinese versions if available. If not, he would read the original foreign version. [passage omitted]

Of course, Lu Ping's most favorite hobby is to listen to music. He has close to 2,000 classic music albums and cassettes which are stored in two large cabinets he personally designed. This is probably his largest asset. He admits that collecting music is his hobby. He tries to get his hands on all classic music albums which he does not have. He plans to make a list of his "asset" and enter it into his computer after he retires.

Many people do not believe that Lu Ping cannot dance, but it is true that he never goes to dance halls. [passage omitted]

I asked Lu Ping: "If you had to do it over, what career would you choose?" Lu Ping shrugged his shoulders and contemplated: "I would choose engineering or literature and art."

Seeing me laugh, Lu Ping became serious: "For real, teachers often spoke highly of my articles when I was young! Do you think that people in our trade only know how to do logical thinking?" [passage omitted]

### Minority Areas Encouraged To Exercise Autonomy

93CM0031A Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 18, 16 Sep 92 pp 15-18, 11

[Article by Jiang Ping (3068 1627): "Uphold and Perfect the System of Regional National Autonomy"]

[Text] The Central Nationality Work Conference, which was held in the beginning of 1992, set forth main tasks for nationality work in the 1990's. Upholding and perfecting the system of regional national autonomy, among others, is an extremely important task. Doing a good job in this task can help minority nationalities increase their socialist enthusiasm, boost their patriotic spirit, and develop their autonomous areas in light of local conditions. This article will talk about some issues concerning the upholding and perfecting of the system of regional national autonomy.

### I. Regional National Autonomy Is A Product of Combining Theory and Practice

Marxism and Leninism hold that the fundamental principle for solving the nationality problem is the equal alliance of all nationalities, namely voluntary integration and unity on the basis of complete equality regarding all rights. Different nations and countries have different ways to form the equal alliance, depending on the condition of individual nations and countries. Under certain circumstances, especially between imperialist



countries and suppressed nations, free integration based on equality cannot be reached without going through free segregation. Under another circumstance, especially in countries where people's revolutions have been successful, equal integration is possible without going through segregation.

Proceeding from the basic theory of Marxism and Leninism and the reality of China, the Communist Party of China (CPC) advocated, from the very beginning, equality and integration on the issue of solving China's nationality problem. In other words, it did away with the domestic national oppression system and advocated the equality of all nationalities. Then, on the basis of equality, it united all nationalities to jointly combat national oppression by imperialists and domestic counterrevolutionary class. After scoring a victory in the anti-imperialist and anti-feudal revolutions, it founded the country of free alliance of all nationalities. This is exactly what all nationalities of China did. They relied on equal integration in carrying out the people's revolution and founding a unified people's republic. The best way for all nationalities in China to practice equal integration is to practice regional national autonomy within the unified People's Republic of China.

The CPC using regional national autonomy as the basic policy for solving China's nationality problem completely conforms to the basic theory of Marxism and Leninism regarding the issue of nationality.

The country founded by the proletariat after the victory of revolution is bound to be a proletarian regime (known as people's democratic dictatorship in China). There is no doubt about this but the form of national structure warrants serious consideration. With regard to this issue, authors of Marxist-Leninist classics have provided us with a solid foundation of theory. Generally speaking, none of them is for federalism. They all think that the unitary system of a democratic republic is superior to federalism. The very first guiding principle Marx and Engels set forth for the fledgeling German revolution in 1848 is: "Germany as a whole is declared as a unified and indivisible republic." (*The Selected Works of Marx and Engels*, volume IV, page 197). Immediately after, they directed German workers to oppose the attempt of bourgeois democratic parties to found a federal republic. Lenin carried on and developed the famous theories of Marx and Engels. He said: "Under the circumstance where different nationalities form a unified nation, it is precisely because of this reason that Marxists would never adopt any principle of federal system, never will they practice any system of decentralization." (*The Collected Works of Lenin*, second edition, volume 24, page 148). Lenin clearly regarded autonomy as a common principle for democratic countries with multiple nationalities and extremely different geographical conditions. He clearly stated that without genuine autonomy, there will be no genuine, modern democratic countries. The negation of federalism by Marxists and Leninists is of

course not absolute. It is just that they think that federalism can be meaningful only under certain special conditions.

The CPC using regional national autonomy as its basic policy not only conforms to the basic tenet of Marxism-Leninism on the nationality issue but also totally in line of the national conditions of China. After the First Emperor of Qin dynasty unified six nations, China became a unified and centralized feudal nation with multiple nationalities which lasted for over 2,000 years. There have been wars and segregation, but unity has always been the main stream of development. Through a prolonged period of contacts, people of different nationalities have established inseparable relations with one another. All nationalities have joined hands in developing the vast territory of our motherland, creating the long history and brilliant culture of the Chinese nation, and founding our great motherland.

China has 56 nationalities. According to the statistics of the fourth census of 1990, 1.0424 billion people are Han, accounting for 91.96 percent of total population on the mainland, and 92.2 million people are minorities, accounting for 8.04 percent. Although minority population is small, the area they live in accounts for 64 percent of China's total territory. We often say that China has a vast territory, abundant resources, and a large population. The truth is that minority nationalities have a vast territory with abundant resources and Han nationality has a large population. In history, Han nationality ruled the Central Plains for a long period of time and expanded to the minority areas on the border; quite a few minority nationalities also entered into the inland area and dominated the Central Plains. Because of this and because the movements between nationalities and official migration, a characteristic regarding the distribution of minority nationalities in China is that they live in small groups which are dispersed over a vast area of land. Han and minority nationalities and different minority nationalities often live in the same area. The development of history has formed a situation in which Han cannot separate from minority nationalities and minority nationalities cannot separate from one another. This is conducive to cooperation and coordination, not segregation. Integration benefits while segregation harms both Han and minority nationalities.

In contemporary old China, national oppression system existed, but all nationalities were victims of oppression by imperialists. As a condition for liberation, China demanded that externally China should get rid of imperialist oppression and establish national independence and that internally China should regard all nationalities as equal, carry out free integration on the basis of equality, and jointly oppose imperialism and its servile followers in China. The new democratic revolution of China which opposed imperialism, feudalism, and bureaucrat capitalism won victory only after waging a protracted revolutionary war under the leadership of the CPC. During the revolutionary war which lasted 22 long years, the people of all nationalities deeply realized from

practice that the leadership of the CPC was correct, so they gradually and consciously rallied around the party to form a united front of revolution and a unified revolutionary armed force. By so doing, they isolated the counterrevolutionary class of all nationalities. The correct leadership of the party is the source of cohesive power for equal integration of all nationalities.

Comrade Zhou Enlai pointed out: "The development of history gave us the condition for national cooperation, and the development of revolutionary movement gave us the basis for our cooperation. Because of this, after liberation, we adopted the system of regional national autonomy which is suitable for China's conditions and conducive to national cooperation." (Selected Works of Zhou Enlai on United Front, page 375). We adopted such a policy precisely because we wanted to achieve, through national cooperation and mutual aid, the common development and prosperity of all nationalities. Over 40 years of experience has proved that regional national autonomy is the best form of equal integration and unity of all nationalities, a product of combining the basic theory of Marxism-Leninism on nationality and the reality of China, and a great creation of the CPC and all peoples of China.

## II. Regional National Autonomy Has Great Advantages

The regional national autonomy of China is exercised within the territory of the People's Republic of China under the centralized and unified leadership of the central people's government in accordance with the general stipulations of the Constitution. It is to establish autonomous areas and organs in areas where minority nationalities live together to allow minority people to exercise the right to self government and be their own master in managing local national policy and state political system. Since its implementation, regional national autonomy has shown increasingly great advantages.

1. China's regional national autonomy is a correct combination of national and regional autonomy and a correct combination of economic and political factors. This can be demonstrated by the minority composition and administrative division of national autonomous areas. The national autonomous areas of China are divided mainly in accordance with local national relations, economic development conditions, and historical backgrounds. In other words, the division is conducive to protecting the equal right of all nationalities, achieving national unity and cooperation, and bringing about the common development and prosperity of all nationalities. There are generally three types of organizational systems in China's national autonomous areas: 1) Autonomous areas established on the basis of a single-nationality community such as Xizang Autonomous Region, Yanbian Korean Autonomous Prefecture, and Liangshan Yi Autonomous Prefecture. 2) Autonomous areas established on the basis of one large community of a certain minority nationality and one or several smaller communities of other minority nationalities such as Nei Mongol and Xinjiang Uygur autonomous regions. In Nei

Monggol Autonomous Region, the majority of population is Mongolian, but there are also Daur, Ewenki, and Oroqen three autonomous nationalities. In Xinjiang Uygur Autonomous Region, Kazak, Mongolian, Hui, Kirgiz, Xibe, and Tajik nationalities have also used their community as the basis for establishing an autonomous area with corresponding administrative status—either autonomous prefecture or county. 3) Autonomous areas established on the basis of two or more minority communities such as Dehong Dai and Jingpo Autonomous Prefecture, Haixi Mongolian and Zang Autonomous Prefecture, and Longsheng multi-national Autonomous County. This fully shows that China's regional national autonomy has great flexibility. Flexibility is also superiority. It can adapt to the complex situation of national distribution in China and maximize the regional self-governing right of all minority nationalities.

2. The regional national autonomy of China is conducive to linking the centralization and unification of China to national equality and autonomy. Namely, it can correctly and appropriately combine the centralized and the decentralized systems. China's constitution and the Law of Regional National Autonomy both clearly stipulate: All national autonomous areas are inseparable components of the PRC, and all autonomous organs are primary local political power under the unified leadership of the central people's government. As primary local political power, the self-governing organs of regional national autonomous areas must obey the centralized and unified leadership of the central government and guarantee the enforcement of state laws and decrees in national autonomous areas. At the same time, as self-governing organs of national autonomous areas, they enjoy different rights to autonomy endowed by the constitution and the Law of Regional National Autonomy. Most of all, they have the right to enforce state laws and decrees in light of local conditions. "If any resolution, decision, order, or directive of a superior state organ is unsuitable for the reality of national autonomous areas, autonomous organs may report to the superior state organ and, with its approval, make adaptations or stop enforcement" (Article 20 of the Law of Regional National Autonomy). Under the guidance of state plan, they also have the right to make their own decisions in arranging and developing local economic, cultural, and other undertakings in their national autonomous areas. This is what Comrade Li Weiha (2621 4850 3352) said: Self-governing organs of national autonomous areas have dual characteristics. On the one hand, they are primary local organs of state power (people's congresses of autonomous areas) and state administrative organs at local level. They are an integral part of state political power of people's democratic dictatorship of China. This is their general characteristic, same as that of ordinary state power and administrative organs at local level. On the other hand, they are primary state power and administrative organs of national autonomous areas enjoying the right to autonomy endowed by the constitution of the PRC and the Law of Regional National Autonomy. They are different from ordinary

local state power and administrative organs. This is their special characteristic. Combining the general and the special characteristics is conducive to organically linking the centralization and unification of the state to the regional autonomy of minority communities. It is conducive to linking the general policy of the party and the state to the specific conditions of minority areas. This enables minority nationalities to give full play to their enthusiasm and creativity under the guidance of general party and state policies. They can follow the road of socialism and build a good life for themselves according to their own special methods and tempo. This is conducive to the interest of the state as a whole as well as the specific interest of minority areas.

3. The regional national autonomy of China is conducive to the common development and prosperity of all nationalities. The system of regional national autonomy has created a favorable condition for the aid and assistance of the state and advanced areas to minority areas and communities and for the mutual cooperation between nationalities. At the same time, national autonomous areas have supported state construction with local advantage in resources. Regional national autonomy has opened up wide avenues for the common development and prosperity of all nationalities of China. Over the past 40 years or so, especially since the reform and opening up, autonomous areas have made considerable progress in construction, and minority areas have witnessed drastic changes in their backward economy. In 1990, the total industrial and agricultural output value of national autonomous areas reached 227.3 billion yuan, a 9.8-fold increase over 1952. Of which, total industrial output value increased 46.3-fold. Total retail sales of social commodities in urban and rural areas reached 78.1 billion yuan, a 39-fold increase over 1952. Comparing 1990 with 1980, the GNP and national income of all five autonomous regions are 1.3-fold higher. The backward situation of agriculture and animal husbandry in minority areas has witnessed marked changes. In the past, most minority areas basically had no modern industries. Now a large number of industrial enterprises, including many key state projects, have been built. Infrastructures such as energy, transportation, and communications have been markedly improved. Opening up has been accelerated, and border trade has made unprecedented progress. In 1990 the per-capita income of farmers and herdsmen in national autonomous areas reached 546 yuan. Most minorities had enough to eat and wear, and some already started to live a relatively well-to-do life. Minority nationalities and areas have made substantial progress in such undertakings as education, science and technology, culture, public health, and physical education. The number of minority cadres has increased from 10,000-plus in 1950's to 2.06 million, forming a mighty contingent of talented personnel in all areas including party and political affairs, economy, education, science and technology, culture, and public health.

### III. Upholding and Perfecting the System of Regional National Autonomy

China has established 159 national autonomous areas, including 5 autonomous regions, 30 autonomous prefectures, and 124 autonomous counties (Qi). Of China's 55 minority nationalities, 45 exercise regional national autonomy. Of total minority population, 78 percent practice regional national autonomy. Over 1,700 national townships have been established in minority areas.

In 1984, China promulgated the "Law of Regional National Autonomy," marking a new stage of regional national autonomy in China. As of today, 25 autonomous prefectures and 82 autonomous counties have approved, through legislative procedures, promulgated, and enforced rules and regulations on autonomy. National autonomous areas have formulated one after after some 60 single regulations. Nine provinces which have control over national autonomous areas—Sichuan, Qinghai, Gansu, Yunnan, Hubei, Guangdong, Liaoning, Hunan, and Hebei—have formulated and promulgated "Several Rules and Regulations Concerning the Law of Regional National Autonomy." This has played an important role in further improving the system of regional national autonomy and accelerating economic and cultural development of national autonomous areas.

But some problems still exist in the implementation of the Law of Regional National Autonomy. The main problem is that some national autonomous areas do not yet have the total right to autonomy specified in the constitution and the Law of Regional National Autonomy, especially regarding economic equity. A major cause of these problems is that some cadres of state organs and upper-level supervising departments fail to see the importance of enforcing the Law of Regional National Autonomy and of guaranteeing the full practice of autonomous right in national autonomous areas. Another major cause is that the minority legislative system is not yet coordinated.

During the critical period of socialist modernization, we should unswervingly uphold and perfect the system of regional national autonomy. This is of great significance to consolidating the unification of the motherland, improving national unity, and accelerating the reform, opening up, and economic development in minority areas. The Central Committee of the Communist Party of China and the State Council attach great importance to the enforcement of the Law of Regional National Autonomy. To enforce the Law of Regional National Autonomy, the party and the state issued several directives in recent years regarding such major issues as the improvement of pastoral areas, aid to the poor, minority trade, and the production and supply of special articles needed by minority nationalities. In December 1991, the State Council issued a circular on several issues concerning further implementing the "Law of Regional National Autonomy." The circular set forth policy rules with emphasis on economic construction and social

development, in light of relevant rules and regulations of the Law of Regional National Autonomy, the national 10-year development plan, and the requirements of the Eighth Five-Year Plan. In economic construction, the main manifestation is increasing fixed-asset investment in state-owned units in national autonomous areas, "development funds for supporting underdeveloped areas," and counterpart aid, further opening up to the outside world, and improving relations between state enterprises and national autonomous areas. These are practical steps taken by the state to accelerate economic development in minority areas to gradually lift them to the level of national development.

In his speech at the National Meeting of Directors of Democratic Leagues, which was held in February 1990, Comrade Li Peng pointed out: "All organs, groups, enterprises, and citizens must abide by the 'law of Regional National Autonomy,' which is one of the state's basic laws. Various departments of the State Council and national autonomous areas in particular must abide by it conscientiously." On the one hand, national autonomous areas should act according to law to guarantee that the state constitution, party policies, and government decrees are enforced and followed in local areas; on the other hand, state organs must respect the autonomous right of autonomous areas and give full consideration to the special conditions and needs of national autonomous areas. Since the "Law of Regional National Autonomy" is quite comprehensive, to successfully implement it, relevant provinces and autonomous regions should formulate relevant rules and regulations in light of their own functions and responsibilities. On this basis, they should then formulate concrete measures for the implementation of the Law of Regional National Autonomy which was promulgated by the State Council. In his speech at the Central Nationality Work Conference, which was held in January 1992, Comrade Jiang Zemin pointed out: "We must establish and perfect a legislative system and supervising mechanism that is coordinated with the implementation of the Law of Regional National Autonomy to enable the law of autonomy to play a better role in the cause of building socialism with Chinese characteristics." He also pointed out that "all departments concerned at the central level and government organs at all local levels should formulate rules or measures for implementing the law of autonomy. Policies and decrees involving minority nationalities and areas should reflect the spirit of and facilitate the implementation of the law of autonomy. They should step up efforts to formulate self-governing rules and single regulations. Those who have done so should sum up their experience and continue to make improvement. The state and those provinces and municipalities which have no control over minority areas should formulate rules and regulations to protect the right of minority nationalities living among and with other nationalities. It is necessary to form a relatively complete socialist national legal system and supervising mechanism by the end of this century." The guidelines of these speeches by central leading comrades have pointed out a clear direction for

us in further implementing the "Law of Regional National Autonomy" and upholding and perfecting the system of regional national autonomy. Our current task is to do a solid job and carry it out conscientiously.

### Leftism Still Prevalent in Inner Provinces

93CM0031B Beijing RENMIN RIBAO in Chinese  
23 Oct 92 p 5

[Article by Wang Senhao (3769 2773 3185): "It Is Even More Necessary for Inland Provinces To Liberate People's Minds"]

[Text] The 14th National Party Congress issued a great call to all party members and people throughout the country: "speed up the tempo of reform, opening up, and modernization to reap a still greater victory in the cause of socialism with Chinese characteristics." At this moment, the issue of primary importance in seizing the opportunity to make self-development is to further liberate the minds of the people. Further liberating the minds of the people is a task for the country as a whole, but situations are different in different provinces. For instance, due to their natural environment and the influence of customs and habits, inland provinces are relatively closed and conservative where leftism still has a strong and deep root. Compared to coastal open zones and advanced provinces and municipalities, their steps in reform and opening up are not large enough and their economic development is not fast enough. Because of this, further liberating the minds of the people is of specially great significance to inland provinces.

To liberate our minds, we must smash the trammels of leftist ideas and firmly establish the standard of productive force. Rightism and leftism both can hamper the development of productive forces in society, but currently the main tendency is leftism which is especially noticeable in inland provinces. On the issue of reform and opening up, some comrades cannot clear their minds of the abstract debate over whether they should call themselves "socialists" or "capitalists." Full of misgivings, they would rather be called "leftists" than "rightists." These comrades unduly equate the market economy with capitalism. They are afraid that expanding regulation by market may cause them to deviate from the direction of socialism. They mistake egalitarianism for socialism. They are afraid that smashing "three iron things" would cause them to lose the superiority of socialism. They fear that they might overdo the development of individual and private economies, that developing enterprises with "three sources of capital" might bring in capitalism, that practicing the share-holding system may be mistaken for privatization, that implementing the director responsibility system would negate the leadership of the party, etc. These leftist ideas are seriously hampering the progress of reform and opening up as well as economic development. Judged from this angle, the difference between inland and coastal areas is manifested primarily in the fact that leftist ideas are more serious in the former than



in the latter. Because of this, to further liberate the minds of people, first of all, we need to eliminate the influence of leftist ideas, firmly establish the ideological line of seeking truth from fact, and boldly uphold the standard of productive force. The criteria for judging everything are: whether or not it is conducive to developing the productive force of a socialist society, whether or not it is conducive to increasing the comprehensive national strength of a socialist country, and whether or not it is conducive to raising the living standards of the people. If it meets these three criteria, it is in line with the socialist direction and we should boldly carry it out.

To liberate our minds, we must clear our minds of old and outdated ideas regarding complacency, conservatism, and fear to take risks. We should cultivate the concept and idea of daring to reform, experiment, blaze new trails, and be the vanguard. The closed and conservative mentality of inland areas is manifested mainly in the fact that some leading comrades lack the spirit of a pathbreaker. They seek stability, fear confusion, hesitate to make decisions, and proceed like a woman with bound feet—stopping frequently. They are satisfied with the status quo and being a peacetime officer. They are afraid to boldly absorb foreign advanced technology and managerial experience and hesitate to open up to the outside world. If they fail to overcome these closed and conservative concepts, they will lose the golden opportunity and accomplish nothing. They are bound to enlarge the gap between themselves and coastal provinces and municipalities. Socialist reform and opening up is an undertaking to bring forth new ideas. Without the spirit of a pathbreaker and risktaker, it is impossible to blaze a new trail. Because of this, to liberate our minds, we must overcome the closed mentality, eliminate the desire to seek stability and avoid confusion and the fear of taking risks, and cultivate the concepts of reform and opening up.

Currently we should adopt a correct understanding of the relations among reform, development, and stability. We should not seek stability passively. Only through reform can we seek development, and only through development can we bring about real stability. We believe that we should be bolder in reform and opening up. In other words, we should dare to think, act, and temper ourselves. Especially we should boldly absorb and borrow the advanced technology and advanced administrative and management methods of other countries including developed Western countries. We should be bold, but our work has to be meticulous and our work style, down-to-earth. When promoting reform and opening up, we should dare to think and act and seek truth from fact. We should take the initiative and keep a cool head as well. We should dare to borrow outside advanced experience and be good at summing up local experience and lessons to avoid detours and guarantee that reform, opening up, and economic construction are carried out in a dynamic, vigorous, and safe manner.

To liberate our minds, we must also conscientiously change our work style and do our job in a down-to-earth

manner. Due to the influence of leftist ideas and closed and conservative mentality, for a long time in our work existed bureaucracy and formalism which not only seriously hindered the implementation of various policy measures but also came back to confine the people's minds. Because of this, to liberate the minds of the people, we must closely coordinate our efforts to improve work style, establish the spirit of seeking truth and dealing with concrete matters, and ensure that various policy measures for reform and opening are carried out. The most important thing currently is to do a good job in the following three areas: 1) Choosing the able and appointing the worthy, which is the key. We must evaluate cadres according to the standard of "four modernizations" and boldly employ those who adhere to the line of reform and opening up and who have outstanding achievements. Party and government leaders and law enforcement departments should resolutely support and protect daring reformers and provide a real "escort and convoy" for reform, opening up, and economic construction. 2) Establishing strict responsibility system from top to bottom at each and every level. All posts must have clear and definite rights and responsibilities. All responsibilities must be assigned to individuals. The phenomena of chaotic organizations, unclear duties and responsibilities, and nobody in charge must never be allowed to continue. 3) Enhancing supervision and inspection. Some areas now have "policies from the top and countermeasures at the bottom." Especially some departments emphasize "vertical" and departmental interests and ignore national interests, resulting in disputes over trifles and causing many good policies to fail when it is time for enforcement. Due to this, we should make further efforts to resolve the issue that all work of all localities and departments submit to and serve the economic construction of the country as a whole. Through supervision, inspection, and a strict reward and punishment system, we should ensure that various measures for reform and opening up are carried out in a down-to-earth manner.

#### **Biographical Sketches of Selected Media Personalities**

93CM0028A Beijing ZHONGGUO JIZHE [THE CHINESE JOURNALIST] in Chinese No 9, 15 Sep 92 pp 62-64

["Biographical Sketches of Special Advisers to This Magazine"]

[Text]

#### **Xu Jing [1776 7234]**

Secretary of the CPC committee, and concurrently director and editor in chief, of the NONGMIN RIBAO. Born in September 1937 in Yanggu, Shandong; graduated from the Shanghai Huadong Normal University in July 1962. From September 1962 to April 1973, worked as political teacher for the 12th grade, assistant director of instruction, and deputy secretary of the party branch of Beijing's 31st Middle School; from June 1973 to May 1979, worked as deputy secretary of the CPC committee

and deputy director of the Xicheng District Education Bureau, Beijing Municipality; from June 1979 to November 1990, worked as deputy department chief, deputy director, deputy director and concurrently deputy editor in chief, and director of the NONGCUN GONGZUO TONGXUN [RURAL WORK NEWS-LETTER]. Transferred to present position at the NONGMIN RIBAO in November 1990.

**Wu Bingjing [0702 3521 2533]**

Editor in chief, TIANJIN RIBAO. Born in November 1954 in Fuxian, Liaoning. Worked as correspondent for the TIANJIN RIBAO from 1974 to 1980. Transferred to the TIANJIN RIBAO in early 1981, where he worked successively as reporter, chief of industrial section, member of editorial board, director of office of editor in chief, and deputy editor in chief. Appointed to present position in January 1992. He is chairman of the Tianjin Young Journalists Association. He was named a national outstanding journalist in November 1984, and was awarded the title of national outstanding journalist pacesetter by the All-China Federation of Trade Unions and won a first "May 1" labor medal in April 1985. Studied for 1 year at the CPC Central Committee Party School, beginning in 1988. A collection of his journalistic writings, the 360,000-word "The Uncrowned," was published by the Tianjin People's Publishing House in early 1991, and his novels, the 180,000-word *Nice Foggy Days*, was published by the Baihua Literary and Art Publishing House in the latter part of 1991.

**Wang Mingqin [3769 2494 0530]**

Director, and deputy secretary of the CPC committee, of the NEI MONGOL RIBAO. Board member, All-China Journalists Association. Born in 1943 in Xingtang, Hebei. Graduated from Beijing University in 1968. Did propaganda and reporting work for more than 10 years below the county level. Worked successively as deputy director of the Dengkou County propaganda Department, Nei Mongol; assistant research fellow and research fellow of the Political Research Office of the Nei Mongol Autonomous Regional CPC Committee; and deputy director and director of the NEI MONGOL RIBAO. While working at the grassroots level, he wrote a number of influential reports. Soon after the 3d Plenary Session of the 11th CPC Central Committee, he wrote a number of theoretical articles, reports on major examples, and investigation reports on the implementation of the system of contracted responsibilities on the household basis with remuneration linked to output in the rural areas.

**Ye Zhen [5509 2830]**

Editor in chief, HEBEI RIBAO. Born in September 1930 in Baodi County, Tianjin Municipality. Began to work as a journalist in April 1949. Transferred to the HEBEI RIBAO in 1951, where he worked successively as editor, reporter team leader, director of financial management department, theoretical commentary department, and

office of editor in chief, member of editorial board, deputy editor in chief, and editor in chief. He wrote more than 200 editorials, commentator's articles, and ideological commentaries for the HEBEI RIBAO and organized and directed news coverages of many important events. He received advanced training at the CPC Central Committee Party School in 1982 and again in 1988. His article "Our Concept of the Party Paper" won a first class award for journalistic theoretical writing from the ZHONGGUO JIZHE and was included in the *Chinese Journalist Yearbook*. He is a board member of the All-China Journalists Association and part-time professor of journalism at Hebei University.

**Li Fu [2621 1133]**

Editor in chief, JINWAN BAO [THIS EVENING]. Born in 1927 in Deping County, Shandong Province. Joined the revolution in 1945. Graduated from North China United University in 1948. From 1948 to 1991, worked successively as head of reporters department, deputy director of office of editor in chief, and member of editorial board of the TIANJIN RIBAO. He established the rural edition of the TIANJIN RIBAO in 1979 and the TIANJIN QINGNIAN BAO [TIANJIN YOUTH] in 1983. He was appointed to the present position in 1984. He is also editor in chief of the TIANJIN LAONIAN SHIBAO [TIANJIN SENIOR TIME]. He is a board member of the All-China Journalists Association, vice chairman of the Tianjin Journalists Association, vice president of the Tianjin Journalism Society, and vice chairman of the Chinese Evening Paper Workers Association.

**Wu Chunhe [2976 2504 3109]**

Editor in chief, LIAONING RIBAO. Born in 1944 in Xushui, Hebei. Graduated from the Nei Mongol University Department of Chinese Literature and began working as a journalist thereupon. Served successively as press secretary of the Chifeng Municipal CPC Committee Propaganda Department, reporter at the Ju Ud League reporters station of LIAONING RIBAO, deputy chief of the LIAONING RIBAO reporters department, and deputy editor in chief of LIAONING RIBAO. Appointed to the present position in 1988. While working as an editor and reporter, he wrote a great deal of news reports, newsletters, feature articles, and commentaries. Since assuming newspaper leadership work, he has spent more time writing editorials, commentaries, and essays. He is now serving concurrently as vice chairman of the Liaoning Provincial Journalists Association, vice president of the Liaoning Provincial Journalism Society, and vice chairman of the Liaoning Provincial Essayists Association.

**Jia Shixiang [6328 1102 4382]**

Editor in chief, HEILONGJIANG RIBAO. Born in March 1937 in Fengrun County, Hebei Province. After graduation from the Ministry of Railways' Tangshan



Railway School, he was assigned to the ministry's locomotive and rolling stock Plant in Harbin. Shortly after that, he was sent to study in the journalism class at the Heilongjiang Provincial CPC Committee Party School. He then worked successively for the Heilongjiang Provincial Journalists Association, the Heilongjiang Provincial CPC Committee Propaganda Department, and the HEILONGJIANG RIBAO. In the meantime, he finished courses offered by the Harbin Broadcast and Correspondence University Department of Chinese Literature. In 1988, he attended an advanced journalism study class at the CPC Central Committee Propaganda Department's National Propaganda Cadre Training Center. He has worked for a long time as a news commentator. As deputy editor in chief of the HEILONGJIANG RIBAO, he was in charge of economic propaganda. For his achievements in the training of news photographers and publication of news photos, he was awarded the "Perception" trophy by the Chinese News Photography Society in 1991.

**Liu Guangdong [0491 1684 2639]**

Secretary of the CPC Committee, and editor in chief, of the DAZHONG RIBAO [THE MASSES DAILY]. Born in August 1934 in Donge County, Shandong Province. Had been a peasant and soldier. In 1966, upon graduation from the Shandong University Department of Chinese Literature, he began to work as a journalist. He has served successively as reporter, editor, deputy chief editor, chief editor, director of the Shandong Provincial CPC Committee's "Party Branch Life" magazine and concurrently chief editor of the "Three No's Monthly," and deputy editor in chief and editor in chief of the DAZHONG RIBAO. In addition to writing and editing news articles, his published works include *A Summary of Mao Zedong's Ethical Thinking*, *New Development of Marxism* (co-authored), and other theoretical treatises.

**Duan Furui [3008 1133 3843]**

Deputy director and concurrently editor in chief, JIANGXI RIBAO. Born in September 1938. Graduated from the Jiangxi University Department of Journalism in 1962; assigned to JIUJIANG RIBAO in September 1962; and transferred to JIANGXI RIBAO in January 1969, where he has stayed to date. In nearly 30 years of work as a reporter, he has published a great deal of news reports, newsletters, commentaries, and other journalistic articles. He was named a national outstanding journalist in 1984.

**Huang Zhongsheng [7806 4429 3932]**

Deputy secretary of the CPC Committee, and deputy editor in chief in charge of day-to-day business, of the FUJIAN RIBAO. Graduated from the Xiamen University Department of Chinese Literature in 1963, and was assigned to the FUJIAN RIBAO in August the same year. In the past nearly 30 years, he has worked most of the time in the editorial department; also served in the news gathering, agricultural, cultural and educational,

theoretical, and literary and art departments and the office of the editor in chief; and worked for one year at a reporters station of the newspaper. He has been head of a reporters station, deputy chief of the literary and art department, assistant to the editor in chief, and deputy editor in chief, and is now deputy editor in chief in charge of day-to-day business. He is vice chairman of the Fujian Provincial Journalists Association.

**Liu Tao [0491 7118]**

Editor in chief, NANFANG RIBAO. Born in April 1935 in Macheng County, Hubei Province. Attended primary school and junior teachers school in his native place from September 1942 to February 1950. Worked as clerk of a township government, secretary of the county food bureau, and clerk of the county CPC committee organization department. Enrolled in the Chinese People's University Department of Journalism from September 1959 to July 1964. Worked as editor of YANGCHENG WANBAO from August 1964 to August 1968; as editor, deputy chief of theoretical department, and assistant to the editor in chief of NANFANG RIBAO from September 1968 to July 1983; as deputy editor in chief of NANFANG RIBAO from July 1983 to April 1991; and was appointed to present position in May 1991.

**Li Mingde [2621 2494 1795]**

Director and concurrently editor in chief, GUANGXI RIBAO; Board member, All-China Journalists Association; age, 55; born in Xihua County, Henan Province. Joined the revolution in 1951. Upon graduation from the Chinese People's University Department of Philosophy in 1965, he was assigned to work as editor of the GANSU RIBAO's theoretical department. He was transferred back to Beijing in 1975, and put in charge of the "Project Newsletter" of the Chairman Mao Memorial Hall construction command in 1976. After completion of the memorial hall, he was transferred to the Chairman Mao's Works Editorial Board (later renamed the CPC Central Committee Documents Research Office) to work on the editing and publishing of Chairman Mao's works, *Selected Works of Deng Xiaoping*, *A Collection of Important Inner-Party Documents Since the 3d Plenary Session of the 11th CPC Central Committee*, and works of other party and state leaders. He was reassigned deputy editor in chief of the ZHONGGUO LAODONG RENSHI BAO [CHINA LABOR PERSONNEL NEWS] in 1984. Since the 3d Plenary Session of the 11th CPC Central Committee, he has published articles totaling more than 200,000 words, publicizing in a fairly systematic manner Comrade Deng Xiaoping's thought and the party's basic line, and some of his articles have produced a rather significant impact.

**Yang Fengge [2799 7685 7041]**

Secretary of the CPC committee, and editor in chief, of the HENAN RIBAO. Born in 1936 in Xingyang County, Henan Province. After graduation from the Beijing Normal University Department of History in 1960, he

stayed in the department as a teacher. He was transferred to the Henan People's Publishing House in 1976, where he worked successively as editor, deputy head of editorial room, and deputy editor in chief. He was appointed director and editor in chief of the Henan People's Publishing House in 1984; chief of the Henan Provincial Information and Publications Bureau, while continuing to work as director and editor in chief of the Henan People's Publishing House, in 1987; and to his present position in 1990.

**Guan Guodong [7070 0948 2767]**

Editor in chief, YANGCHENG WANBAO. Born in 1932 in Hebei Province, but his ancestral home was in Nanhai County, Guangdong Province. Joined the revolution in March 1949. Graduated from the Beijing University Department of Chinese Literature, specializing in journalism, in 1958, and began to work as a teacher for the journalism specialty at the Guangzhou Zhongshan University Department of Chinese Literature in September the same year. From September 1959 to the present, he has worked for the YANGCHENG WANBAO (also worked for the NANFANG RIBAO from August 1968 to December 1979), serving successively as reporter, editor, editorial section chief, deputy head of the office of the editor in chief, director of the supplement section, and deputy editor in chief. He is a board member of the All-China Journalists Association, permanent board member of the Chinese Evening Paper Workers Association, vice chairman of the Guangdong Provincial Journalists Association, and member of the Presidium of the Guangdong Provincial Writers Association.

**Wang Ziming [3076 1311 2494]**

Editor in chief, YUNNAN RIBAO; member of the Yunnan Provincial CPC Committee; age, 54; native of Huaining, Yunnan. Upon graduation as a journalism major from the Yunnan University Department of Chinese Literature in 1961, he was assigned to the YUNNAN RIBAO. For a fairly long period, he worked as a reporter stationed in a minority nationality area in northwest Yunnan. Transferred back to the editorial department, he worked successively as a political, foreign affairs, cultural and educational, and sports reporter, deputy head of the rural and theoretical groups, deputy head and head of the reporters department, and assistant to the editor in chief. He was appointed to the present position in 1985. He became chairman of the Yunnan Provincial Journalists Association and concurrently president of the Yunnan Provincial Journalism Society in December 1991. He has written a great deal of news reports, newsletters, and commentaries, and he is a good news writer. Many of his articles have had a rather great impact in the province, and some of these works have won provincial awards. One of the pictures he took, "The General Secretary's Heart Is Linked With the Hearts of the Miao People," won the national editors in chief news photography award in 1989.

**Gao Zongwen [7559 1350 2429]**

Director and concurrently editor in chief, GUIZHOU RIBAO. Born in March 1941 in Chongqing County, Sichuan Province. Upon graduation from college in 1963, he was assigned to the GUIZHOU RIBAO, where he served successively as editor, head of the commentary section, and deputy head of the theoretical department. He was appointed GUIZHOU RIBAO's deputy editor in chief in December 1985, editor in chief in August 1988, and to his present positions in September 1990. He was elected chairman of the Guizhou Provincial Journalists Association in December 1991, and was named a national outstanding journalist in November 1984. In September 1990, he was conferred the title of an "exemplary specialist who has made outstanding contributions to Guizhou" by the Guizhou Provincial CPC Committee and the Provincial People's Government.

**Yao Zhineng [1202 1807 5174]**

Director and concurrently editor in chief, SICHUAN RIBAO. Born in 1937 in Chongming County, Shanghai Municipality. Graduated from the Chinese People's University Department of Journalism in 1959, and was assigned to the SICHUAN RIBAO in September the same year, where he worked successively as reporter, editor, night shift page editor, chief editor, deputy section chief, and deputy editor in chief. He became editor in chief in August 1984, and concurrently director in September 1990.

**Qian Guozheng [7505 0948 2398]**

Director and concurrently editor in chief, SHAANXI RIBAO. Born in 1941 in Zhouzhi County, Shaanxi Province. Graduated from the Northwest University Department of Chinese Literature in 1966. He has worked for a long time as a news reporter and editor and has served as head of the SHAANXI RIBAO's science, education, culture, and literature department, deputy director of the Shaanxi Provincial Radio and Television Department, and director of the Shaanxi Television Station. He is a board member of the All-China Journalists Association and vice chairman of the Shaanxi Provincial Reporters Association. His published works include *A Reporter's Exploration and Practice*, *Selected Prose of Qian Guozheng*, *Thinking Behind the Fluorescent Screen*, and four other titles, totaling more than 1.4 million words. He was nominated for the Fan Changjiang press award in 1991. He is a member of the Chinese Writers Association.

**Feng Xingru [7458 5281 0320]**

Editor in chief, GANSU RIBAO. Born in January 1935 in Ningxian, Gansu. In January 1951, he began to work for the CYL in districts and counties; later he did news reporting work for the propaganda departments of the Qingyang Prefectural CPC Committee and the Pingliang Prefectural CPC Committee; and he became the deputy editor in chief of a prefectural newspaper in 1958. He was transferred to GANSU RIBAO in 1960. He worked

successively as a reporter, deputy rural section head, news gathering and reporting department head, and editor in chief of the GANSU NONGMIN BAO [GANSU PEASANT NEWS]. Mainly engaged in editing work, he has also written more than 1,000 news reports and commentaries, most of which reflecting rural problems.

**Li Yongze [2621 8673 3419]**

Editor in chief, NINGXIA RIBAO. Born in February 1936 in Yixian, Hebei. Upon graduation from the Journalism Department of the Beijing Broadcasting College in September 1963, he was assigned to the NINGXIA RIBAO, where he has worked to this day. He worked successively as editor, reporter, editorial board member, head of the office of the editor in chief, and deputy editor in chief. He was appointed to the present position in June 1989. He is a board member of the All-China Journalists Association, vice chairman of the Ningxia Reporters Association, vice president of the Ningxia Journalism Society, and president of the Ningxia News Photography Society.

**Yao Deming [1202 1795 2494]**

Editor in chief, QINGHAI RIBAO. Born in November 1940 in Chaoyang County, Guangdong Province. Upon completion of graduate course at the Beijing University Department of History in 1967, he was assigned to the QINGHAI RIBAO, where he worked successively as a reporter and editor in industry and commerce, agriculture and animal husbandry, culture and education, and theory departments, traveling to all parts of the vast rural and pastoral areas and factories and mines on the Qinghai plateau, writing news reports and commentaries. He is good at writing commentaries, and some of his commentaries have been included in the book *Eyes of the Times* published by the RENMIN RIBAO Publishing House. Since becoming deputy editor in chief of QINGHAI RIBAO in 1981, he has been occupied mainly with organizing and leading the newspaper's propaganda work. He is now a member of the All-China

Journalists Association and chairman of the Qinghai Provincial Reporters Association.

**Wang Zhisheng [3769 2535 3932]**

Secretary of the CPC Committee, and editor in chief, of the XINJIANG RIBAO. Born in March 1933. Joined the Chinese People's Liberation Army in April 1951, served as a fighter, cultural teacher, and so forth. After transferring to civilian work in 1956, he enrolled in the Chinese People's University Department of Journalism. Upon graduation in 1960, he was assigned to the XINJIANG RIBAO. He has worked as reporter, editor, deputy head of editing and reporting department, and deputy editor in chief, written some fairly important news reports and editorials, published a book entitled *News Writing and Editing*, edited the large picture album "Xinjiang," and supervised the publication of the book series for Xinjiang reporters *Spring in the Vast Desert*. At present, he is supervising the publication of the "Xinjiang Press Circles" magazine. He is vice president of the Xinjiang Journalism Society.

**Qun Jue [5028 6030]**

Editor in chief, XIZANG RIBAO; chairman, Xizang Reporters Association; and board member, All-China Journalists Association. He is Tibetan, born in 1945 in Qamdo, Xizang. Attended the journalism class at the Central Nationalities Institute from February to August 1966. Worked for XIZANG RIBAO from September 1966 to October 1976. He was appointed deputy chief of the political and cultural section under the Chinese-language editorial department of XIZANG RIBAO in January 1976. He enrolled in the Beijing University Department of Journalism in November 1976. In June 1978, he became deputy chief of the politics and law section under the Chinese-language editorial department of XIZANG RIBAO. He was deputy chief of the Chinese-language editorial department of XIZANG RIBAO from February 1979 to September 1980; chief of the news-gathering and communications department and standing committee member of the CPC committee from September 1980 to 1983; and deputy editor in chief from 1983 to February 1991. He was appointed to his present position in March 1991.

## NATIONAL AFFAIRS, POLICY

### Speed of Economic Growth During 1990's

93CE0115A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 9, 11 Sep 92 pp 16-20

[Article by Ren Jianping (0117 0256 1627), Institute of Finance, Trade, and Commodities Economics, Chinese Academy of Social Sciences]

[Text] During the first quarter of 1992, every jurisdiction in the country accelerated the pace of reform and opening to the outside world, and the temperature of the national economy also rose everywhere, the speed of the warming arousing concern once again. Can the national economy accelerate development during the 1990's? Just what is the right speed of growth for the economy during the Eighth Five-Year Plan and for all the 1990's? I believe that rapid development of China's economy during the 1990's is possible. Thanks to reform, rather marked advances can be made in demolishing the old system, and properly guided by macroeconomic policy, a moderate acceleration of development is possible. We can take as our goal achieving 8 percent and striving for 9 percent growth to bring about high speed, effective growth of the national economy.

#### 1. Favorable Conditions for Accelerating Economic Development

1.1 As the thrust of reform and opening to the outside world intensifies during the 1990's, the greater economic potential that the old system suppressed may be emancipated. Spurred on by reform and opening to the outside world during the 1980's, we achieved an 8.9 percent high speed growth rate. Under the powerful impetus of market orientated reform during the period 1984 - 1988, the economic growth rate reached 10.7 percent, a percentage that was markedly higher than that of several very rapidly developing surrounding countries and territories (Korea 8.8 percent, Singapore 6.6 percent, Thailand 6.7 percent, Taiwan 7.9 percent, and Hong Kong 6.7 percent). Continued intensification of changes in business enterprises' operating mechanisms in the course of market orientated reform in the 1990's greatly advances price reform, which promotes rationalization of the economic structure and improves the conditions that ensure economic growth. Thus, it is possible that improvement of resources allocation efficiency will serve as a springboard for the acceleration of intermediate and long-term economic development.

1.2 Yet another element in our favor during the 1990's is the stimulation of economic growth resulting from the increase in the economy's external orientation. During the early 1980's, China's exports accounted for 12.7 percent of GNP, but by 1990, they accounted for 31 percent, the export elasticity coefficient climbing from 1:0.85 during the Sixth Five-Year Plan to 1:2.25 during the Seventh Five-Year Plan. The marked acceleration of economic growth occasioned by the externally oriented

development strategy of coastal regions may spur the economic development of neighboring areas in turn. For example, the economic growth rate for Guangdong and Hainan provinces is already between one and several times higher than for some inland provinces. They have already produced very great momentum for the economic development of surrounding provinces. Thus, the high speed growth of the coastal economy may be relied on to produce a very great stimulative effect on the inland economy.

1.3 The contribution of tertiary industries will steadily increase. In 1989, China's tertiary industries accounted for 27.2 percent of GNP, which was less than that of India (41 percent) or Korea (46 percent). Analysis of the tertiary industries to GNP in developed countries reveals a contribution of approximately 70 percent, while developing countries had approximately 50 percent during the 1970's and 1980's. During the 1984-1989 period, however, China's tertiary industries contributed only 30.9 percent, less than the 40 percent of Korea, and even less than the 50 percent of India. During the 1980's, the growth rate for China's tertiary industries was slightly higher than the GNP growth rate at 10.9 percent. If tertiary industries develop faster during the 1990's, they may spur faster economic growth.

1.4 China's traditional industries also show substantial development prospects. With an increase in their technological transformation that stimulates updating and upgrading of products, they may maintain a fairly high growth rate during the 1990's. Currently, most of the technical equipment of traditional industries is of 1950's and 60's vintage. Only 12.7 percent of it is at the international level; 19 percent of it meets advanced domestic standards; and 47.9 percent of it meets ordinary domestic standards. About 20.4 percent of it is backward by domestic standards. Following the technological transformation of the 1980's, the technical level of traditional industries rose to a certain extent. Comparison of 1990 with 1980 shows a decline from 7 to 4.7 tons in the amount of energy consumed per 10,000 yuan of social gross output value, and a rise from 619 to 879 yuan in national income per ton of energy. Nevertheless, China's energy consumption per unit of GNP is six times that of Japan and more than two times that of the United States. Only through technological transformation, which raises the resources utilization rate, will it be possible to realize greater economies of scale from existing materials and equipment.

1.5 Growth of the nonstate-owned economy will stimulate more rapid economic development. Since the 1980's, the nonstate-owned economy has come to play an increasingly important role in the country's economic life. In the attendant industrial growth, the contribution of the nonstate-owned economy has been as follows: industry 56 percent; business 58.5 percent, the construction industry 56 percent, and investment 39 percent. Since it relies primarily on the regulation of the market



mechanism, the nonstate-owned economy has great flexibility in the allocation of resources and business activities. So long as we stabilize and perfect a series of policies for development of the nonstate-owned economy while adhering to a state-owned economy orientation, this component of the economy will see faster development during the 1990's.

1.6 The reform, opening to the outside world, and economic construction of the 1980's enable China to enjoy a material foundation of abundance today such as it never enjoyed in the past. Outputs of numerous products are the largest in the world; thus they provide the important material foundation needed for a continued doubling during the 1990's. It should be noted that during the 1990's China will face a relatively stable international environment. With the end of the cold war and the easing of the situation, developing countries will be able to concentrate their energies on economic construction. For China, this will pose both a challenge and an opportunity to speed up economic development.

## **2. Achieving 8 Percent While Striving for 9 Percent Growth Is a Suitable Choice of Speed**

The 1990's hold the possibility that China can accelerate development. On the basis of international experience with, and the inherent requirements for high speed economic growth, we currently face several choices of speed, namely 7 to 8 percent, 8 to 9 percent, 9 to 10 percent, and 10 percent or more. Our choice of goals of achieving 8 percent while striving for 9 percent growth, stems from the following factors:

2.1 An 8 to 9 percent speed of growth is a fairly fast speed of growth both in the history of China's economic development, and in comparison with the international economy. During the 1980's, the economic growth rate was 6.6 percent for Asia's four small dragons, 5.4 percent for southeast Asia, and 5.1 percent for south Asia. China's 8.9 percent high speed growth at the time made it one of the few countries in the world having high speed economic growth. (Countries having an economic growth rate of more than 8 percent during the 1980's included only South Korea, Botswana, Oman, and China).

If the same general speed of growth can be maintained during the 1990's, not only will it be possible to continue to overtake the four small dragons of Asia, but even to achieve first place in world economic growth. (The economic growth rates for the four small dragons of Asia in 1990 and 1991 were 6.6 and 6.3 percent respectively.) Furthermore, another doubling will be possible in the next eight years, thereby achieving between 40 and 50 percent more growth than the previously proposed quadrupling by the end of the present century. Even though some parts of the country may exceed this speed of development, in other places development will be less. For a large country that has one-fourth the world's population, maintaining such high economic growth is not simple.

2.2 Attainment of the goal of achieving 8 percent and striving for 9 percent growth will require a between 13 and 15 percent rate of industrial growth. At the country's current energy consumption level, industrial energy consumption demand will grow 5 percent. During the 1980's China's energy supply grew 4.5 percent, energy supply and consumption increasing at about the same rate. For GNP growth to exceed 10 percent, the industrial growth rate will have to reach more than 15 percent, and this is bound to increase the energy shortage. Therefore, as the main bottleneck industry, energy restrains overly fast growth of both industry and GNP.

2.3 The correlation between production of raw and processed materials and economic growth shows that every time economic growth exceeded 10 percent during the 1980's, demand tended to strain supply necessitating an expansion of imports to remedy the shortage of raw and processed materials. In 1985, GNP grew by 12 percent, industrial growth reaching 18 percent, but processed steel imports also broke all records reaching 20.03 million tons that year in a 31.4 percent rise. Imports of plastics increased 42.7 percent. Such a state of affairs could not be maintained; growth had to be reduced. Even though economic growth during the early 1990's has not been limited by the supply of raw and processed materials, and the ample inventories resulting from a market slump make it possible to sustain overly rapid economic growth temporarily, this will be very difficult to continue over the long run. During the first half of 1992, the raw and processed materials market began to heat up in response to high speed economic growth, and prices of the means of production also began to rise.

2.4 In the transportation field, the longstanding oversized volume of freight relative to capacity has been a major industrial bottleneck limiting economic growth. During the 1980's, freight transportation density on China's railroads increased 4.3 percent annually, and volume increased 6.4 percent, sustaining between 8 and 9 percent national economic growth. The railroads were able to satisfy only between 40 and 50 percent of demand; ships lined up in ports, and port congestion was serious. The shortage of air transportation was even worse. The transportation shortage stemmed mostly from insufficient investment. Despite a rise in the percentage of investment in transportation from 11.2 percent in 1980 to 15.2 percent in 1990, improvement of transportation conditions during the 1990 remains very difficult. Overly rapid economic growth will put serious pressure on transportation.

2.5 A correlated analysis of economic growth during the 1980's shows that maintenance of 8 percent economic growth will require maintenance of between 4 and 5 percent growth in agriculture, with grain increasing approximately 2 to 3 percent. The maintenance of the high speed growth of 3.3 percent for grain during the 1980's spurred the 6.1 percent growth rate in agriculture, the 12.7 percent growth rate in industry, and the 8.9 percent growth rate in GNP. We must realize that maintenance of between 2 and 3 percent rate of increase

in grain while contending with nature is no easy matter. Inasmuch as the impetus for growth is waning as a result of policy readjustments and system changes, future development of agriculture will depend more on inputs. In order to ensure long-term, steady growth of agriculture between 4 and 5 percent, and grain, between 2 and 3 percent, investment in agriculture will have to be at approximately 8 percent of investment in capital construction. Currently, it is only 4 percent. Therefore, the limitations that grain and agricultural growth impose will require that the economic growth rate be held within two digits.

2.6 Since reform and opening to the outside world, and economic retrenchment, growth of China's national economy is being increasingly limited by demand; the presupposition of a shortage economy is weakening. This poses new requirements for economic growth during the 1990's. Growth will require market sales, and as the intensity of market-oriented reforms increases, this requirement will become more marked. During the first quarter of 1992, despite China's high 11.6 percent growth, the industrial production and marketing rate was only 91.1 percent, off 5 percentage points from the normal level and tying up 15.4 billion yuan in unsold finished goods. Acceleration of economic growth to draw down excess inventories is bound to lead to new economic overheating and currency inflation, but lowering the economic growth rate will cause a rise in inventories. Therefore, the answer to this dilemma is economic growth during the 1990's based on market demand. Overly rapid economic growth frequently leads to obstruction of the economic cycle.

2.7 Savings and the attendant growth of investment provide a basic animus for economic growth. During the 1980's, China's savings rate was approximately 33 percent for the most part, and the rate of investment in fixed assets was approximately 30 percent, about 26 percent of which was for improving the economic environment and rectifying the economic order for three years, the remainder being invested in fluid assets (inventory). With the end of improving the economic environment and rectifying the economic order and complete revival of the economy, the 9 percent investment in inventories of 1989 and 1990 will decline. This will permit the rate of investment in fixed assets to return to the pre-1989 level. In capping total savings, China's savings rate should not go beyond 35 percent because too high a rate will cut into immediate consumption. Thus, if savings are completely transformed into an investment mechanism, the rate of investment in fixed assets in China should best not exceed 32 percent, and the maximum rate of investment in liquid assets should not exceed 3 percent. Such an investment rate can sustain only a between 8 and 9 percent rate of economic growth.

2.8 Inasmuch as a substitution relationship exists to a certain extent between currency inflation and economic growth, in years when GNP growth exceeded 10 percent during the 1980's, currency inflation pressures were greater, and this substitution relationship became worse

and worse. Just a 2.8 percent rise in prices in 1984 caused double digit economic growth, but it took an 8.8 percent price rise in 1985 and an 18.5 percent price rise in 1988 to attain the same goal. With the deepening of market-oriented reform and the quickening of the monetization of the economy, the interaction of various economic variables will become greater. Therefore, if an approximately 10 percent economic growth is to be maintained during the 1990's, very likely it will be accompanied by sustained currency inflation and price rises. Not only will this worsen the normal proportional relationships in the operation of the economy, but the intense retrenchment that overheating occasions will also abet large scale economic ups and downs that cause very inconsistent economic growth.

In view of the foregoing, acceleration of the formerly planned 6 percent annual rate of increase in GNP appears possible. However, the increase must not be set too high. Between 8 and 9 percent is about right; more than 9 percent will be difficult to sustain. However, sustaining such a high growth rate for the entire national economy during the 1990's will not only cause a decline in the quality of economic growth, but may also completely exceed what the country can bear. Because there is little room for maneuver in agricultural growth, an industrial growth rate of 16 percent or higher will be required in order to assure a 9 or 10 percent growth of GNP. Such a high industrial growth rate will stretch the economy very tightly and lose the fine relaxed atmosphere that improving the economic environment and rectifying the economic order created. This will be detrimental to the improvement of economic returns and the promotion of a benign economic cycle.

Inasmuch as investment is the engine that powers economic growth, some comrades now place the focus in accelerating economic development on raising the savings rate and the investment rate. They suppose that with full mobilization of domestic savings, all that is needed is large scale importation of foreign capital to spur higher economic growth (increasing the percentage of foreign capital in GNP from the present 6 percent to 15 percent in order to produce an accumulation rate of 37 percent, thereby making a 10 percent growth rate possible). As the earlier analysis showed, domestic savings might best not exceed 35 percent. Even though large scale importation of foreign capital be regarded as an important means for remedying a shortage of domestic savings, the importation of foreign capital is not a preference, and China's importation of foreign capital is mostly in the form of loans, which amounted to 67 percent of the total importation of foreign capital during the 1980's. Large scale importation of foreign capital will confront us with debt pressure. Furthermore, the way to look at economic growth from the investment angle is to increase supply, not restrict market demand. If only the ability to supply is increased without accompanying markets, such growth will be synonymous with an increase in inventories and a decline in returns. What goes up will come down.



Since the explanation for the rise in the temperature of the economy exhibited during the first quarter of 1992 can be found somewhat in the acceleration of growth, a full discussion of the first quarter temperature rise is called for. Generally speaking, with the end of the economic slump and revival process, the economy would certainly have a powerful rallying tendency. However, the temperature rise during the first quarter was fueled, to a large extent, by high investment. During the first quarter, GNP increased 11.6 percent, and the industrial growth rate reached 18.2 percent. Meanwhile, investment in capital construction in the sector owned by the whole people and investment in renovation and technological transformation increased 32.2 and 52.0 percent respectively, much higher than the historical rate of increase for the same period. Even though elements that cannot be compared exist in these figures in the form of overly low base figures in 1991 that led to the overly high speed development of 1992; nevertheless, such a high rate of increase in investment clearly has a high investment coloration. By comparison, central government and local government projects begun during the first quarter of 1992 increased 22.2 and 52 percent respectively over the same period in 1991 in the complete assumption of a stance of getting going and going all out. At the same time, consumption of different sections of the population reached 22.5 percent, and city and town residents' consumption also reached 15.7 percent. Such a momentum toward sudden increase in investment and consumption naturally eased the market slump of the past three years and stimulated the economy in the direction of an overall temperature rise. However, to use this rapid growth as a basis for future intermediate and long-term speed of economic growth is off base. Without going into how long such growth can be sustained, such high investment not only is not in keeping with the meaning of what high speed effective growth should be, but artificially accelerating inherent demand that is ultimately not in keeping with economic law is to be guarded against and avoided at all costs.

### 3. How To Guide High Speed Effective Economic Growth

Even though favorable conditions and possibilities exist in China's economy for an acceleration of economic development, turning the possibilities into realities will require proper guidance. It must be realized that ordinarily no acceleration mechanism is lacking for growth of China's economy, but what is lacking is how to link properly high speed economic growth with transformation of the mechanism to improve returns. Thus, turning the achievement of 8 percent while striving for 9 percent growth into high quality economic growth will require good work in the following regards:

#### 3.1 Conscientious Handling of the Correlation Between Reform and Development

As an important stage in market-oriented reform, the 1990's will both intensify numerous reform measures begun during the 1980's and seek to open up new areas of

reform by way of providing a fine systems framework for China's economic growth after 2000. Thus, during the 1990's, reform of China's economic system must make major advances both in depth and in breadth. With this realization in mind, when dealing with the correlation between reform and development during the 1990's, the basic idea must be inculcated that development is subordinate to reform, and that development must be sought through reform. Since many of the problems we face stem not from too slow development but from lack of reform so far, and since many of the superficial, easy-to-make reforms were completed during the 1980's, the reforms we face are deep-down, intractable ones. If we are unable to complete the main tasks of system change and market orientation reforms during the 1990's, not only will it be difficult to realize high speed and effectiveness from economic growth during the 1990's, but during the early part of the next century, we will still face the troubles of the old system. Therefore, during the full rise in temperature during accelerated development of the economy at the present time, we must think about the long term and make intelligent choices.

#### 3.2 Continuation of Structural Adjustments

Irrational structure is a longstanding and difficult problem in the development of China's economy. Not only do existing factors such as inventory rigidity, price distortions, and irrationalities in the investment system restrict them, but the intrusion of the demand factor also complicates structural readjustments. The market slump that three years of economic retrenchment disclosed was an inevitable consequence of the lack of normal matching between supply and demand. Therefore, structural readjustment must be conducted in both supply and demand at the same time. On the demand size, income distribution and demand system reforms must be continued for a steady widening of the consumption demand domain, raising demand, and creating new hot spots to keep up with the trend toward an increase in city and town resident's income and a decrease in demand. Unless the demand structure is regularly brought in line, marketing difficulties will result from the increase in supply, and ultimately there will be no choice but to lower the speed of increase in supply by restricting production and accumulating goods in inventory. Simultaneously, the industrial structure and the product mix must be rationally readjusted on the supply side. This readjustment should include mostly the following: Continued closings, suspensions of operation, mergers, and switches to other lines of production of money-losing concerns once a social security system has been established; accelerated technological transformation of existing traditional industries, and continuation of price reform to solve the allocation of resources orientation problem so that investment gradually moves in the direction of bottleneck industries. In addition, the irrational structure of China's industry is related to the prevailing tax system as well as local government protectionism. During the 1990's, gradual reform of the system

for dividing up taxes will be undertaken to regularize the apportionment between the central government and local governments. Efforts will also be made to solve problems in the relationship between government monopoly and competition in the process of developing markets to promote the formation of a unified market. All these things are necessary to accelerate development.

### 3.3. Active Efforts To Raise Money for Bottleneck Industries

Three years of economic retrenchment have caused a rapid rise in the country's saving's rate, which reached approximately 36 percent in the highest year. Furthermore, price distortions and dislocations in the economic structure have brought on an inability to carry out industrial policy plans with regard to investment. The high savings rate is unable to bring about a more rapid growth of investment in bottleneck industries. Therefore, during the 1990's, positive efforts will have to be made to find ways to increase sources of investment for bottleneck industries. Many years of practice have gradually shaped a consensus that it is impossible to solve the huge need for funds of bottleneck industries through government investment alone. Vigorous efforts must be made to develop other sources and channels of investment while the government as a source of investment remains. Particular consideration must be given to how to channel the enormous savings deposits of city and town residents into investment in bottleneck industries. Therefore, while moving ahead with investment system reform during the 1990's, the practice of issuing special bonds for bottleneck industries should be continued and expanded. In addition, the shareholding system should be gradually applied to bottleneck industries as a means of increasing city and town residents' interest in investing in bottleneck industries.

It must be pointed out that owing to the way expansion of investment in bottleneck industries by making incremental adjustments, once such rational increments are incorporated into the existing irrational structure, the final result is that investment in bottleneck industries is insufficient. Since rationalization of the industrial structure depends on the inherent optimization process of market forces, sole reliance on external forces using methods of incremental readjustment cannot fundamentally ease bottleneck industries investment problems. Only deepening of reform that impels rational use of existing investment can bring results.

### 3.4 New Products for Seeking Economic Growth

China's 8.9 percent high speed growth during the 1990's is related to the stimulation of growth points for economic growth. The accelerated development of items used in daily life (including the four old standbys) as well as the food industry during the early 1980's stimulated economic growth during the mid-1980's, and acceleration of the development of household electrical appliances and associated industries during the mid-1980's stimulated economic growth during the late 1980's. After

three years of improving the economic environment and rectifying the economic order, we have yet to find growth points that function like those used during the 1980's. The trend toward change in the structure of city and town resident consumption demand in conjunction with reform of the real estate industry, housing and associated industries may serve as growth points. In addition, since 20 percent of city and town residents are in the high income bracket, motor vehicles and new kinds of high quality electronic and electrical equipment may serve as growth points. Real estate and motor vehicles as major products driving the construction industry and the machinery and electronics industries can produce a powerful industrial chain reaction. At the present time, these two commodities are largely purchased for welfare purposes or for government consumption kind; they cannot become items for regular market trading. Only by being genuinely transformed into market type commodities can they become part of the regular consumption order, and only then can they become new growth points for subsequent economic development.

In addition, since economic growth during the 1990's will be determined to a very large extent by government building of infrastructure as well as major key products, the expansion of public demand will also become a growth point for intermediate and long-term economic development. This choice should be taken in conjunction with an industrial policy for the development of bottleneck industries. In addition to vigorous development of energy, transportation, and raw and processed materials industries, environmental protection, culture and education, and science and technology—all of which pertain to the long-term development of society—should become important components in the expansion of public demand.

In addition to paying close attention to the work already mentioned, a basic estimate should also be done regarding the shift into other occupations of surplus agricultural labor during the 1990's, and the effect on economic development, and draft attendant policies. Because large scale development of tertiary industries and rural nonagricultural industries requires continued maintenance of this trend, this study is needed in order to stimulate rational allocation of resources between the city and country economy. If an additional 80 to 100 million people can be shifted out of agriculture into other occupations during the 1990's, this is bound to improve further the allocation of resources within agriculture, increase the percentage available for nonagricultural industries, and stimulate further growth of national wealth. Since township and town enterprises and urban tertiary industries will be unable to soak up surplus farm labor during the 1990's as well as they did during the 1980's, and since they will more inclined to look for quality rather than quantity in the labor that they do choose, while continuing to stabilize and perfect existing rural economic policies, improvement of the caliber of the rural population is needed as a means of channeling the flow of labor. This will both permit labor to make a

contribution to economic growth during the 1990's without leading to the mindless movement of people, creating an overload on the transportation and urban infrastructure.

### Comparing Two Phases of Contracted Management System

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[Article by Du Haiyan (2629 3189 3601): "Limitations of Contracted Management System"]

[Text] Since China began to restructure its economic system in 1979, the reform of state enterprises has always been the focus of public attention. At the present stage the system of contracted management responsibility, the predominant piece of reform in state enterprises, is in a bad shape. Not only is there a possibility that reform may stall out, but there are also signs that the old system may stage a comeback. Therefore, we need to review the experience of state enterprise reform in earnest, particularly the current state of the system of contracted management responsibility, analyze the series of problems it is confronted with, and, learning from such a review, make the necessary new reform choices and fundamentally put an end to the inefficiency plaguing enterprises.

### 1. Problems Facing Contracted Management System in State Enterprises Today

1) The first phase of enterprise contracting (1987-1990) did not achieve the anticipated results.

Since 1987, the system of contracted management responsibility has become the leading management system in state enterprises. By 1990, over 95 percent of the nation's industrial enterprises within the budget had introduced the first phase of contracting. The principal format of contracting was "two guarantees and one link." That the system of contracted management responsibility was so extensively adopted by state enterprises had something to do with the economic difficulties at the time. In 1986, China was in the grip of a severe recession brought on by belt-tightening at the macroeconomic level. Government spending was cut. Enterprises suffered declining profits and about one-quarter of state enterprises were losing money. To extricate them from their plight, the government decided to introduce contracted management in industrial enterprises nationwide. The objective of this policy was to encourage state enterprises to fulfill their financial obligations to the government and improve economic performance through profit-sharing. By linking the growth in total payroll to the increase in taxes paid to the state (usually in the ratio of 0.4-0.7:1), the policy was also intended to check wage explosion among enterprise workers.

**Table 1: Contract Completion Rates of First Phase of Contracted Management in Provinces and Municipalities (%)\***

Province	Overall	1988	1989	1990
Beijing	-	95.00	89.20	60.30
Tianjin	90.00	95.00	85.00	90.00
Shanghai	-	98.80	91.50	67.00
Hebei	-	90.00	91.50	67.00
Shanxi	-	92.26	85.35	79.98
Inner Mongolia	73.19	91.70	87.40	71.30
Liaoning	69.00	85.00	60.00	51.00
Jilin	65.00	90.00	60.00	53.00
Heilongjiang	87.00	89.00	82.00	85.00
Jiangsu	91.00	-	-	88.00
Sichuan	79.20	91.00	87.50	79.50
Yunnan	-	-	90.80	79.50
Gansu	87.50	93.00	84.90	73.10
Xinjiang	89.10	92.60	85.70	86.00
Tibet	-	-	-	-
Zhejiang	78.40	90.00	75.80	66.00
Anhui	85.70	91.00	83.60	82.00
Fujian	-	-	-	-
Jiangxi	63.80	84.20	75.00	60.00
Shandong	86.50	94.20	90.70	71.50
Henan	83.00	90.50	87.20	80.00
Hubei	81.80	93.00	87.90	65.70
Hunan	67.60	92.30	75.00	59.60
Guangdong	88.10	91.70	88.50	81.70
Guangxi	-	87.00	84.00	71.00
Guizhou	75.07	80.60	76.00	70.40
Shaanxi	-	-	-	-
Ningxia	84.30	85.00	80.40	59.80
Qinghai	-	-	-	-
Hainan	-	-	-	-

\* The completion rates in the table were the numbers of enterprises which fulfilled their specified financial obligations to the state as a percentage of all enterprises that had adopted the contracted management system. Bear in mind two factors. First, the target only reflects the number of enterprises, not the extent to which the enterprises completed their contracts. Second, sluggish market demand in the latter contracting period and other factors forced many localities to adjust the contract targets downward. The completion rates do not reflect such adjustments.

In the early days of contracted management (1987-1988), the reform produced favorable results and the steady decline in government revenue was reversed. The reasons are as follows. Monetary incentives for enterprise workers were increased and the responsibilities of the contractor were clearly spelled out. The implementation of the Enterprise Law and the signing of contracts

ensured decision-making authority for enterprises and cut back on unjustified administrative interference by government departments. Another factor was overheated market demand. However, the success of contracted management did not last long. Soon its economic returns began to slide nationwide. The contract completion rates fell year after year and the overall returns of contracted management were a far cry from what they were in the early days. (See Table 1) If you look at the nation's industrial enterprises within the budget, the profitability indicators consistently headed downward in all these years. In 1985, a profit of 24 yuan was realized for every 100 yuan in sales earnings. By 1990 that figure had slipped 43.75 percent to 13.5 yuan.

The declining effectiveness of contracted management is related to the softening of market demand induced by macroeconomic belt-tightening in the late 1980's, the lack of safeguards for enterprise autonomy, and the slowdown in reform, both internal and external, during that period. Be that as it may, we can see that contracted management reform provided no basic solution to the problem of inefficiency in state enterprises. Also, despite the practice of linking wages to efficiency, enterprise contracting failed to check wage explosion successfully. It was not uncommon for wages and welfare benefits to swallow up profits, for personal remuneration to take up an excessive proportion of enterprise earnings, and even for the enterprises to encroach upon state properties frequently. (See Table 2)

Not only did the first phase of contracted management in state enterprises fail to achieve the policy objective of improving enterprise economic returns all round, but it also adversely affected the conditions of reproduction in state enterprises. It is true that enterprises were required to undertake technological transformation under the contracted management system, the objective being to increase the value of state properties and boost the long-term productive capacity of state enterprises. However, this objective was not achieved in most cases because of the lack of a rigorous and effective evaluation system and a steady and dependable source of funding. This is not all. To meet the target for tax payment to the state, many enterprises had to cut back on loan repayments or profits retained, even dipping into their own funds to meet the target for tax payment. In 1989, 103 Shanghai enterprises under the contracted management system had to reduce loan repayments by 354 million yuan and trimmed retained profits by 950 million yuan so as to meet their tax payment target. In 1990, enterprises under contracted management in Tianjin cut loan repayments by 250 million yuan and retained 243 million yuan less in profits for the same reason. During the first phase of contracted management, state industrial enterprises in Jiangsu spent 68.22 million yuan of their own funds to pay taxes to the state. The corresponding figure for Zhejiang was 40.44 million yuan. But even with these and other similar measures, enterprises failed to meet their targets, prompting some provinces to adopt account charging. In 1989 and 1990, enterprises in

Zhejiang charged 72.16 million yuan and 140 million yuan, respectively. In 1990, Liaoning enterprises charged 455 million yuan to their accounts. Thus far Jilin enterprises have charged a total of 1.2 billion yuan to their accounts. While this and similar practices have eased the immediate financial plight of the enterprises, they have undermined their economic strength by worsening their terms of reproduction.

**Table 2: Percentage Changes in Targets in First Phase of Contracted Management\***

Province	Output Value Profits	Taxes Realized	Workers'Incomes
Beijing	33.80	30.40	67.00
Tianjin	-3.90	-32.80	23.70
Shanghai	-6.00	-27.40	-
Hebei	31.42	34.95	70.80
Shanxi	45.90	37.90	71.10
Inner Mongolia	9.00	-4.00	25.00
Liaoning	15.50	15.80	60.00
Jilin	5.30	8.40	19.60
Heilongjiang	27.50	10.30	43.00
Jiangsu	26.62	17.80	-
Sichuan	34.00	56.40	46.80
Yunnan	-	-	-
Gansu	29.90	-	61.90
Xinjiang	14.90	14.10	37.30
Tibet	-	-	-
Zhejiang	22.20	22.40	81.00
Anhui	21.50	15.40	17.50
Fujian	-	-	44.10
Jiangxi	45.90	37.90	71.10
Shandong	19.40	18.30	18.90
Henan	34.80	55.80	66.70
Hubei	5.46	5.41	16.40
Hunan	5.40	4.60	13.20
Guangdong	28.90	24.98	57.30
Guangxi	11.80	25.50	24.30
Guizhou	65.60	68.90	114.40
Shaanxi	81.19	55.95	54.93
Ningxia	23.90	10.30	11.20
Qinghai	-	-	-
Hainan	-	-	-

\*The percentage changes in targets in this table are for the entire contract period. The problem here is that different computation methods were used. In one method, the first part of contract period was compared with the last part. In another method, the average annual value was compared to that for the preceding year. In a third method, the reporting period was compared with the base period. Because of the lack of raw data, it was difficult to calculate the growth rates. As a result, the comparisons here have only limited significance.



2) The second phase of contracted management (1991-1995) became a mere formality from the start.

The second phase of contracted management began in the midst of an economic recession when reform was in the doldrums. By then the system of contracted management had fallen into disfavor among a good number of skeptical enterprise managers. As a result, many enterprise managers held back from contracting. According to a typical survey in Yunnan, for instance, 80 percent of the managers of state enterprises were unwilling to be involved in contracted management any more. This tendency greatly complicated the transition from the first phase of contracted management to the second in many localities, with delays commonly lasting six months or even one year in some areas. Only when the departments in charge intensified ideological work did the second phase get under way.

What enterprise managers in the provinces and municipalities were most critical of was "unpredictability." Even after the contract target was set, the government kept adjusting the policy governing the submission of money to the state. In Beijing, for instance, a host of new taxes were introduced between 1987 and 1990, along with numerous adjustments to tax rates, interest rates, and exchange rates, trimming the profits of enterprises in the municipality within the budget by 820 million yuan. The increase in the percentage of enterprise contributions to the energy and transportation fund and the new requirement that enterprises contribute to the budget regulating fund reduced enterprise retained profits by 581 million yuan. Or take Jiangsu. Enterprises had to pay 1,935,000,000 yuan more in 24 basic taxes and fees in 1989 compared to 1986, equivalent to 48.1 percent of all profits turned over by the enterprises to the government for that year. Policy adjustments, therefore, were a major reason behind the decline in book-value profits and enterprise retained profits. The incentive mechanism of the contracted management system is based on the principles of profit-sharing and allowing enterprises to keep any excess income. If an enterprise's profits and its level of retained profits are not related to its effort in operating itself, its enthusiasm for contracted management would necessarily be dampened.

Another kind of unpredictability can be found in prices. Despite market-oriented reforms, both the level of market prices and price structure right now are still clearly influenced by government policies. In Beijing, for instance, the soaring prices of raw materials and energy slashed enterprise profits by 4.99 billion yuan between 1987 and 1990. The extraordinary fluctuations in the price level, particularly the prices of upstream products, have been tough on enterprises. By disrupting the pattern of distribution of enterprise incomes, they have complicated evaluation in enterprise contracting.

In fact, public opinion has been just as fickle. At the core of the system of contracted management is the emphasis on the status of the enterprise manager as contractor. The idea is to inspire the manager of a state enterprise to

take his responsibility for increasing the value and profitability of state properties seriously. In the long haul, it is also hoped that contracted management would be a training ground for an army of Chinese entrepreneurs. However, public opinion has been critical of reform now and then, as the popularity of economic restructuring waxes and wanes to the detriment of the way enterprise managers operate their concerns. Either the manager ends up with a diminished sense of responsibility and enthusiasm or inter-personal harmony within the enterprises is disrupted.

As far as the contracted management system is concerned, a more fundamental difficulty is the instability of the policy of granting enterprises more decision-making authority in their operations. The restructuring of the economic system, particularly the string of measures introduced since 1984, has gradually increased the autonomy of state enterprises. In 1987, the contracting system went under way nationwide. In 1988, the Enterprise Law was implemented broadly, further consolidating the legal basis for achieving enterprise autonomy. The fact that the contracting system had better results in 1988 is clearly related to the widespread realization of enterprise autonomy. Post-1989 policy changes, however, reflect a widespread tendency to curtail the powers of enterprises. According to typical surveys on enterprises in provinces like Shandong and Liaoning, particularly large and medium-sized state enterprises, only half of the 13 kinds of powers granted to state enterprises remained, namely those relating to the sale of overstocked goods and the appointment and dismissal of some mid-level cadres.

The loss of autonomy has had a profound impact on state enterprises, which is demonstrated in three ways. First, to implement the retrenchment policy and tighten up macroeconomic control, the government departments involved had taken back from state enterprises their decision-making authority in such areas as investment, technological transformation, price-setting, profit retention, and the utilization of retained profits. Deprived of these powers, enterprises have also lost the room for autonomous operations. Second, enterprise reform measures conflict with the goal of social stability, hampering them in the exercise of their powers, such as the authority in hiring and dismissing workers, in distribution, and in offering rewards and meting out punishments. As a result, enterprises are deprived of the incentive mechanism that would help achieve their goals. Third, a mix of environmental and psychological factors has dissuaded the enterprises from insisting as theirs the powers that are due them, such as the power to determine their own organizational setup or to appoint and dismiss deputy cadres, making possible those internal factors that interfere with enterprise operations to make a comeback. In short, changes in the policy that purports to give enterprises more decision-making authority in their operations have revived the grip of the old order over state enterprises and undermined their ability to withstand the disruptions of the market, at the

same time eroding the institutional base for the system of contracted responsibility.

It was precisely against this backdrop that state enterprises began the second phase of contracted management. By June 1991, enterprises within the budget in all the provinces and municipalities had largely completed signing their contracts. The vast majority of state enterprises which were in the first phase of contracted management and whose contracts had expired joined the second phase. The number of enterprises that used the "two guarantees and one link" or "multiple guarantees and one link" format increased substantially.

The fact of the matter is that the second phase of contracted management tended to drift into formalism in many provinces and municipalities. Contracted management has gotten off the ground, but market-orientation is still not well defined. Structural inconsistencies have not been resolved fundamentally. On the

contrary, some have gotten worse. Under these circumstances, the principal internal inconsistency of the system of contracted management—"rigid base figures and fluid market"—has been intensified, vastly complicating one-on-one negotiations to settle on a contract base figure. Judging from the situation in the various provinces and municipalities, the practice of arriving at a base figure through bidding and other competitive methods has become all but extinct. Instead, what is most popular is the so-called "administrative base figure," "human-relations base figure," and "ideological work base figure." The competitive relations between the contractor and the party offering the contract have also disappeared. The projected growth rate of profit targets in the second phase, therefore, is lower than that for the first phase in most cases. (See Table 3) If we take into consideration the projected inflation rate for the period in question, enterprises may well end up losing money.

**Table 3: Comparing Base Figures of Two Phases of Contracted Management  
(Growth Rates of Profits and Taxes Realized) (%)**

Province	1st Phase	2nd Phase	Province	1st Phase	2nd Phase
Beijing	30.40	13.70	Zhejiang	22.40	6.50
Tianjin	-32.80	17.98	Anhui	-	-
Shanghai	-27.40	-	Fujian	-	-
Hebei	34.95	0.00	Jiangxi	37.90	6.40
Shanxi	-	-	Shandong	18.30	9.00
Inner Mongolia	-	5.00	Henan	55.80	21.90
Liaoning	-	4.00	Hubei	5.41	29.80
Jilin	8.40	-	Hunan	4.60	4.00
Heilongjiang	10.30	6.60	Guangdong	24.98	-
Jiangsu	17.80	6.00	Guangxi	25.46	14.90
Sichuan	56.44	-	Guizhou	68.90	0.00
Yunnan	-	2.70	Shaanxi	55.95	9.30
Gansu	-	-25.30	Ningxia	10.30	6.20
Xinjiang	14.10	10.30	Qinghai	-	-
Tibet	-	-	Hainan	-	-

What we had in the first phase were actual growth rates. The numbers in the second phase are the growth rates specified in the contracts. In the second phase, not only were base figures adjusted downward substantially in most cases, but restraints were notably weakened, resulting in a trend toward flexibility. In Zhejiang, for example, some contracts specified that the base figure may be adjusted up or down within a 5-15 percent range. Shandong has adopted the practice of fixing the base figure for the long haul but ratifying it on an annual basis in light of the prevailing market conditions. Heilongjiang follows a "flexible base figure" method; base figures are divided into implementation base figures, reserve base figures, and reference base figures to allow for the flexible evaluation of enterprises. Jilin allows the departments in charge to evaluate the way in which enterprises have fulfilled their contract targets. In Liaoning, the base

figures are determined using the method "near, set; far, open." Although the application of these flexible adaptations has helped get the second phase of contracted management off the ground, it has diluted the quality of the system. The economic contract established between government departments in charge and enterprises through the system of contracted management has become a mere formality. The economic responsibility on the enterprises has diminished at the same time as administrative interference by the government has again become routinized.

The decline in the quality of contracted management during the second phase also has to do with the fact that increasingly the contractor is now a group instead of an individual and that the contract period has been shortened. As the first phase gave way to the second, only a



handful of managers were replaced because of managerial incompetence. In Shandong, for instance, a mere 0.1 percent of managers were replaced. In the new phase of contracted management, the principal contractor is no longer the manager, as was typically the case in the past, but has been replaced by a group led by party, government, or worker leaders. The trend toward collective contracting has eased interpersonal conflicts and the competition for interests within the enterprise, but it has also eroded the economic responsibility system already in place in state enterprises. Meanwhile, the proportion of short-term contracts, under three years, has risen, particularly in some provinces with a heavy concentration of industry. In Liaoning, for example, short-term contracting accounts for over 55 percent and in Jiangsu, more than 70 percent. In some cases, what is formally long-term contracting is actually short-term contracting because the base figure is set from year to year or is set for a short period of time but left open in the long run. Thus once again how to prevent short-sighted behavior and protect the long-term interests of state properties have become problematic.

To sum up, the new problems that have emerged in the second phase of contracted management, namely those relating to contract base figures, the choice of contractors, and the fixing of the contract period, have weakened enterprise restraints and diluted the responsibility system. The various reform measures have become a mere formality, raising the specter of losing the achievements of state enterprise reform already won.

## **2. Limitations of the Contracted Management System; Separating Ownership from Management**

A changeable macroeconomic policy and the economic boom-and-bust cycle have produced excessive ups and downs in market demand, adversely affecting the results of the contracted management system. It must be pointed out, however, that there is a host of limitations inherent in the system of contracted management and that it is those limitations that have fundamentally diluted the quality of the contracted management system.

As the restructuring of the economic system deepens, the Chinese economy will gradually become a socialist planned commodity economy. In a commodity economy, regulated by the law of competition, the life cycle principle of commodities, technology, and enterprises will be in full force. The resultant cyclical changes in market demand will be the order of the day in the economy. This being the case, the enterprise as the commodity producer should be institutionally equipped to react to endless changes in the market and demand structure. Today the Chinese economy is in the midst of a transformation and all sorts of policy adjustments related to the transformation are inevitable, including the rearrangement of property relations, changes in the price system, and adjustments of the system of payments to the government, all of which will significantly impact the existing input-output environment of the enterprise.

The failure of the contracted management system to adapt to the environment and its harsh demands on the existing input-output conditions lay bare the built-in limitations of the contracted management system. Clearly it would be unrealistic and inconsistent with the objective principles of economic operations to demand that the enterprise environment remains unchanged, that its input-output conditions remain unchanged, and that its profitability holds steady and even grows at a set pace. These demands reflect the old system and its ideological base in the new era.

Upon further analysis, we see that the bargaining in the contracted management system has destroyed fair market competition. Bargaining that takes place in the course of agreeing on a base figure in effect penalizes the strong and protects the weak. Whether an enterprise is well managed or otherwise, however high or low its level of profits, it gets a chance for survival because of the individualized treatment accorded enterprises in the setting of base figures. Bargaining that takes place in evaluating the performance of contract leaders invalidates the principle that the same amount of capital generates a similar amount of profit. As a result, property restraints are weakened and the market elimination mechanism is rendered inoperative. This is precisely why the contracted management system is powerless to end the inefficiency of state enterprises and the phenomenon of eating from the big rice pot.

Moreover, lurking through the entire contracted management system is the potential danger that the old system may once more rear its ugly head. During the early days of contracted management, the enterprise and the appropriate government department in charge signed a contract which, up to a point, defined the respective rights of the government and enterprise without, however, fundamentally removing the objective base for government administrative interference. The very fact that enterprises have been deprived of their decision-making authority in their operations reflects the instability of this system. The variety of changes that have occurred in the second phase of contracted management, including the dissolution of the competitive mechanism and the array of evaluation criteria and supplementary requirements stipulated by government agencies in charge, has increased administrative interference by the government and brought back and even worsened the fusion between government administration and enterprise management. All this shows that the contracted management system has failed to achieve the ultimate goal of enterprise reform, that is, establishing effective mechanisms within the enterprises to stimulate, restrain, or assume risks. For this reason, the contracted management system cannot transform state enterprises into commodity producers.

Let us now take a look at the contradictions in the reform philosophy underpinning the theory of the contracted management system: separating ownership from management. At the beginning, we in our optimism, regarded the reform separating ownership from management as

the optimal plan to bring about the market mechanism that would accommodate both state ownership and the commodity economy. Judging from the results of practice, however, we see that the reform philosophy of separating ownership from management is inherently contradictory.

As part of the reform of separating ownership from management, the government delegated power and gave up profits, which enabled the enterprises to exhibit greater independence in their operations. Nevertheless, as noted in our analysis above, without institutional guarantees, the enterprises could neither prevent administrative interference by the government nor correct inappropriate government behavior. On the contrary, the enterprises could maximize their own welfare only through a variety of irregular practices, such as bargaining and taking advantage of loopholes in the existing system and policies. Because of the lack of effective restraints, enterprise behavior too is highly irrational in many ways. In market competition, they assume responsibility only for profits, not losses, so in the final analysis the party that really assumes risk is the ultimate owner, the government. To minimize its risk, the government often resorts to tightening administrative control on enterprises as the only feasible means of protecting the interests of state properties. The upshot is that irrational conduct on the part of enterprises and irrational conduct on the part of government end up reinforcing one another. This very real contradiction hampers the genuine entry of state enterprises into the market. Thus the idea of separating ownership from management is ill-defined in theory. In the absence of effective restraints and countervailing forces, the traditional property rights system would inevitably reemerge as the objective base for administrative interference by the government. Without interest restraint and countervailing forces, enterprises too could not properly exercise their powers in a way that would benefit the long-term interests of state properties.

The practice of reform has also failed to produce an effective action plan for separating ownership from management. Two ideas were proposed in our discussions in the past. One is to establish a legal person system to get around the problem of the owner not fulfilling its proper role after ownership is separated from management. Specifically, this would involve setting up an enterprise board within the enterprise composed of the owner, managerial personnel, and workers' representatives. The board will exercise legal-person ownership rights in its capacity as the principal property decision-maker. After defining the respective powers of the legal-person owner and final owner, the plan then is to establish a relationship of checks and balances between the two to ensure that ownership and management are separate or, shall we say, that government rights are separate from enterprise rights. The purpose of this plan is to guard against administrative interference by the government, on the one hand, and establish effective mechanisms within the enterprise that would either act

as an incentive or restrain the enterprise, on the other hand. However, the results of reform in the two years from 1987 through 1988 were not satisfactory. The main problem is that the council put together by the government department in charge by virtue of its administrative power often became the new organized base for stepping up administrative interference. At a time when ultimate ownership remains unclear, fictitious legal person property rights cannot effectively restrain enterprises. Along with inequities in the distribution of the returns on properties, the fact that the quality of properties has nothing to do with the subjective effort of an enterprise group has damaged the objective base for market competition and prevented the market mechanism from fulfilling its regulating role. The second idea is to establish a state property management agency, separate from the regular government machinery, to specialize in exercising the powers of the ultimate owner, such as selecting enterprise managers, distributing and utilizing returns on properties, handling the reorganization of property relations, and other property matters. By reorganization and functional separation, the purpose is to bring about the transformation of the economic functions of government. By 1990, state property management bureaus have become commonplace at all levels of government. But the results of even this piece of reform have not been entirely satisfactory. The major problem is that the use of administrative tools to divide government functions from the functions of owners between different government agencies in effect means the redistribution of powers, a task that has met overwhelming resistance. This explains why almost all existing state property management bureaus at all levels have become empty shells with ill-defined tasks and responsibilities and no actual powers. Moreover, even if these bodies are given real powers, it is an open question whether or not they are really up to discharging the functions of owners effectively.

After safeguarding enterprise autonomy and consolidating the achievements of past enterprise reform, therefore, we need to look for new approaches to state enterprise reform to bring about the separation of ownership from management and solve the practical problems the contracted management system cannot solve.

### **3. Use the Shareholding System To Change the Format In Which Property Relations Are Organized**

Based on the objective laws of commodity economy, the transition to a shareholding system is basic to deepening state enterprise reform and ending the backwardness of the traditional property rights system.

The superiority of using the shareholding system to transform the traditional property rights system is that it would put together an effective mechanism to fully stimulate the enterprise to compete, at the same time restraining its conduct and enabling it to withstand the risks of competition by reorganizing the way property rights are organized and building a competitive market structure. In combination with the mechanisms of

transfer, reorganization, and elimination, this will bring about the effective allocation and utilization of all social properties, thus removing the old institutional barriers in the way of state enterprises as they work to adapt to market regulation, while leaving intact the dominant position of public ownership in the mix of social property rights.

As far as state enterprises are concerned, transforming property relations and adopting the shareholding system involve three basic interdependent, interacting stages.

First, transform the organizational format of property relations in state enterprises by adopting the shareholding system. At present there is no accurate assessment of the value of the properties of state enterprises, so revaluation is needed based on the current value of capital and the enterprise's actual production capacity. Following revaluation, basic share ownership can be formed through distribution and sale. There will be four kinds of basic shareholders. First, governments at all levels as shareholders. The shares of every enterprise will be held by governments in different localities and at all levels. Dividends on the shares will form the basic source of government revenue. By thus linking the interests of the government to those of the enterprises, the government will develop a real interest in the returns on enterprise properties. Second, legal-person bodies as shareholders. Set up a variety of legal funds of different types to be enterprise shareholders. Dividends on the shares will be used to cover their operating expenses and as investment in their projects. This provides a means to socialize a variety of public welfare undertakings and relieve enterprises of their social burden. Third, enterprises can hold shares in one another. This way enterprises earn dividends on one another's shares, capital becomes more mobile and its circulation is speeded up. In the process the efficacy of capital allocation will also be enhanced and the adjustment of the production structure and the implementation of the industrial policy will be accelerated, putting an end to the immobility characteristic of current properties. Fourth, members of society as shareholders. Issue shares publicly in society to absorb the vast amount of private savings. That way the pressure exerted on the market by the instability of savings deposits as well as its disruptions to the economic order will be eased, at the same time relieving the concern of citizens by transforming the format of savings. In short, the conversion of property rights into shares creates the institutional base for the establishment of a property rights management responsibility system.

Shares are distributed primarily between governments in different localities at different levels and between some legal-person bodies. The process of distribution must take into full consideration the quality of enterprise properties and their actual profitability. It must also take into full consideration the financial prowess of different local governments and their social economic responsibilities. What is to be distributed is mostly the shares of large- and medium-sized enterprises and only a portion of them. The distribution of these shares is a one-time

affair only, forming the initial property rights of governments and legal-person bodies. Subsequently the level of income and size of properties of governments and legal-person organizations will depend on how well enterprise properties are managed. When shares are to be sold off, their prices should be made public and it should be done through competitive auction so that they are sold at actual prices and the state is ensured a reasonable income, at the same time steering properties into the right direction and allocating them most efficiently on a society-wide scale. Incomes derived from the sale of properties should be concentrated in the hands of the central government to pay for organizational restructuring and institutional changes.

Second, by organizing a capital market, create a mechanism whereby enterprises can be declared bankrupt, eliminated, or reorganized. After changing the organizational format of property relations, establish a stock market to facilitate the transfer of shares throughout society and open up a channel for the effective allocation of properties. Establish a regular bankruptcy and elimination system to expedite the reorganization, transfer, and acquisition of the properties of public enterprises to solve the longstanding problems of state enterprises—weak restraint, inefficiency, and the practice of eating from the big rice pot. It would increase the return on properties, reduce the burden on the treasury, and ensure the unification and standardization of the returns on properties. Since reform went under way, competition has not been accompanied by elimination and incentives are strong even though restraints are weak because of an imbalance in the incentive system. The result is that state enterprises went out of control, assuming responsibility for their own profits but not losses. The reorganization of enterprise property relations should help ensure the effective implementation of the national industrial policy. In short, rearrange property relations in a way that is suited for the commodity economy to ensure that competition goes hand in hand with elimination, that incentives match restraints, and that risks are related to benefits, thereby eliminating the root cause of inefficiency in the public ownership system.

Third, create a state property administrative body to change government's economic functions effectively. The transformation of the way property relations is organized has set the stage for ending the traditional administrative interference by the government in enterprises. In order to manage effectively the shares held by governments at all levels, we need to put together a number of companies whose objective is to pursue profits and increase the value of their properties. It will be the responsibility of these companies to handle investment, the transfer of stock, and other matters relating to properties. Concomitant with the creation of these companies, government departments in charge at all levels and in all localities should sever their ties with enterprises. Assuming that the administrative structure is streamlined and power is delegated, the departments should take on new economic functions, namely,

drawing up government plans and economic policies, statistical work and auditing, and information services. A fundamental shift in government economic functions also is a prerequisite for a qualitative change in the property rights relations of enterprises. Such a shift and such a change will fundamentally put an end to the fusion between government administration and enterprise management, which has long depressed the efficiency of state enterprises, thus paving the way for public enterprises truly taking their places in the market.

As the property relations are reorganized in the public sector, we will see a competitive property rights setup in society dominated by public ownership and revolving around the shareholding system which will inspire competition, restrain competitive behavior, and withstand the risks of competition.

In industries and sectors that are naturally monopolistic, such as energy, transportation, and social services, state ownership will continue to play a dominant role. Here state enterprises should make it their goal to discharge state functions and fulfill the government plan. The state should intensify administrative interference in these enterprises and carry out the command plan more strictly so that national goals are fully achieved in the enterprises. These enterprises should preferably be run by a factory director responsibility system. Under this system, the factory director is appointed directly by the government body in charge of managing state enterprises and has quasi-administrative-official status. He is directly answerable to the current government. In evaluating these enterprises, the emphasis should be on social benefits, not economic returns. Losses incurred by enterprises that are long on social benefits should be covered by government subsidies as necessary. This raises the question: Can the treasury afford it? If the treasury cannot afford to cover the losses and so demand that enterprises consider economic results as well, at the same time taking appropriate monetary stimulating measures, the enterprises would be rendered less able to turn a profit because of their heavy social obligations. Alternatively, they may decide to shirk their own obligations out of self-interest. This is why in the post-reform social property rights structure, state enterprises should be kept to an appropriate scale and stay within the financial limits of the government. In the vast majority of competitive trades and sectors, there will be a mix of ownership systems: ownership by the government and social groups, ownership by enterprises, and ownership by individual members of society. The board of directors of an enterprise, elected by all types of shareholders through the shareholders' meeting, is to exercise the legal person rights of the enterprise and make decisions regarding the disposal of properties and the distribution of profits. The enterprise manager, appointed by the board of directors, is responsible for day-to-day operations. This kind of mixed ownership shareholding enterprise will no longer assume social obligations and non-business functions. Instead, its *raison d'être* and operating objective is to make a profit. As far as these

enterprises are concerned, not only are prolonged losses impermissible, but they must work to maintain and increase the value of their assets. Their capital of equivalent value must generate a profit acceptable to the shareholders and on a par with the average return on capital in society. By electing members of the board and by buying and selling on the stock market, the enterprise shareholders make known their wishes and exercise the powers of potential owners.

In a competitive enterprise, the proportions of different kinds of shares are the product of competition on the capital market, so it is neither possible nor necessary to insist on uniformity. To prevent the shareholding system from becoming a mere formality and ensure that the market mechanism can play its normal regulating role without discrimination, no shareholders, not even the property management companies of governments at all levels, are allowed to enjoy extra-economic privileges. The central government may seek to influence these enterprises through state purchasing and through its industrial policy, fiscal policy (particularly tax rates), and monetary policy (primarily interest rates), but this influence must be based on the market mechanism, that is, it must not be allowed to distort the market mechanism. This is what "the state regulates and controls the market, the market guides enterprises" means.

In the mix of property rights in the competitive post-reform era, public ownership will continue to enjoy an overwhelming edge. However, because the way property relations are organized will have undergone fundamental changes and because the mix of social property rights will have become basically competitive, the traditional inefficiency of public enterprises may finally come to an end and public enterprises may finally exist side by side with the regulating mechanism unique to the commodity economy.

The transformation of the property rights system lies at the heart of enterprise reform. Revolving around this transformation, we need to conduct related institutional readjustments and organizations. Some of these readjustments and organizations may not necessarily be more straightforward than the transformation of the system of property rights itself. Instead they may require expenditures of effort and time on our part. We will not go into detail here.

### **Report on Shareholding System in State Enterprises**

93CE0144A Beijing JINGJI CANKAO BAO in Chinese  
12, 13, 14 Nov 92

[Article in three installments by Zhan Zhongde (6124 0112 1795) and Ma Ping (7456 1627): "Use Shareholding System To Revitalize State Enterprises"]

[12 Nov 92 p 1]

[Text] Over the past several years we have tried numerous ways to revitalize large- and medium-sized



state enterprise with some success. Yet over 30 percent of the enterprises are still losing money to this day (not counting those with hidden losses). Is there really something that can be done to reduce the number of unprofitable large- and medium-sized state enterprises to a minimum?

Yes... by accelerating the adoption of the shareholding system. In the fall this reporter went to the old industrial bases in cities like Chongqing, Wuhan, Shanghai, and Shenyang to do a study and learned that the shareholding system is indeed a good way to turn money-losing enterprises around. I also noticed in these cities a momentum surrounding the shareholding system that I had never seen before.

I spent only two or three hours at the Restructuring of the Economic System Commission in Wuhan but saw as many as five enterprises come in to apply for permission to adopt the shareholding system on a trial basis. Deputy Director Yu Maocai [0151 5399 2088] of the commission told me, "Since the beginning of this year, it has become a trend for state enterprises in Wuhan to take up the shareholding system. As many as 100 enterprises have filed application with the commission."

Similar developments have taken place in Chongqing, Shanghai, and Shenyang. Between last May and August alone, 120 enterprises in Shanghai applied to introduce the shareholding system. Comrades from the production office of the State Restructuring of the Economic System Commission told reporters that between 1984, when the shareholding experiment began, and late 1991, only 3,200 enterprises adopted the shareholding system, or 450 enterprises each year on the average. In contrast, between last January and August, 600 enterprises joined the ranks of units experimenting with the system. In addition, almost 1,000 enterprises in the provinces and cities with provincial-level economic decision-making power are awaiting the nod to go ahead.

Why is there such a strong clamor for the shareholding system among state enterprises? Whatever the municipality, the answer is the same: Enterprises already experimenting with the shareholding system have set a good example. After adopting the system, enterprises soon assumed a new look, with workers doubling their enthusiasm for work.

The Special-Shaped Steep Pipe Company in Shanghai, formerly an enterprise owned by the whole people, became a shareholding enterprise on an experimental basis in September last year with the approval of the municipal people's government. Early this year the company issued 36.10 million yuan worth of shares to the public at the price of 1:2.8, including 8 million yuan worth of stock held by its workers. On 23 September I went to the factory to gather materials for this story only to see the workers so intensely that they were unwilling to stop to talk to me. I had no choice but to do the interview standing right next to some noisy machine. A comrade from the office who accompanied me on the

tour explained that nowadays workers are paid by the number of hours they work and the amount and quality of their output. Moreover they all own enterprise shares. Nobody wanted to stop to talk about how the plant was doing.

Why makes the shareholding system so appealing? I discovered from my investigation that the shareholding system is indeed superior to other methods of operations, that it does offer advantages to the enterprises and their workers that no other form of operation has.

First, it frees enterprises from government control so that they can gradually become commodity producers that enjoy decision-making authority in their operations, assume responsibility for their own profits and losses, and are capable of self-development and self-discipline. For years it was said that government administration must be separated from enterprise management and that enterprises must not become the government's appendages. Yet a lot of hard work and much trial and error later, enterprises still are in the grip of the government and the various departments. Whatever the enterprise does—doing a survey, an appraisal, or a promotion, it must follow the government's requirements, or else the manager or director would be held responsible. Under the shareholding system, the enterprise as a legal person is answerable only to the board of directors and shareholders' meeting. The enterprise can successfully escape government control and run and operate itself and do the things it has to do on its own.

Second, it can effectively expedite the reform of the mechanisms inside the enterprise so that it can participate in market competition more successfully and profitably. The vast majority of enterprises experimenting with the shareholding system, this reporter has found, has adjusted their internal setup, personnel, and distribution. Some have drastically cut the number of non-production personnel while boosting the ranks at the first front. Some have boldly introduced the practice of the three kinds of enterprises that are either partially or wholly foreign-owned as well as township and town enterprises, paying workers by the piece and in accordance with the quality of their work; there is neither a maximum wage nor a minimum wage. Yet others have boldly departed from restrictions on the deployment of personnel, using cadres dynamically.

Third, the shareholding system enables the enterprise to raise a substantial amount of funds to increase investment and enhance its staying power. The directors and managers of many enterprises experimenting with the shareholding system told this reporter at a seminar that in the past they were so preoccupied with raising funds to develop production and increase investment that they could neither eat nor sleep properly. In the end they had to turn to banks for loans. Now that they have adopted the shareholding system, the enterprises can raise a large amount of funds by issuing securities or shares to finance technological transformation and increase their staying

power and even to supplement their working funds, cut back on borrowing, lower costs, and improve their efficiency.

Fourth, the shareholding system enables the enterprise to reconcile the interests of the three parties—the state, the enterprise, and the workers—properly and mobilize the enthusiasm for production of the enterprise as a legal person and its workers fully. In shareholding enterprises, property rights are clearly defined. Distribution is spelled out in detail. Shareholders include the enterprise legal-person, individual members of society, and enterprise workers. This enables the enterprise to reconcile the interest relations among the state, the enterprise and the workers properly. The share that is due the state is calculated based on the proportion of company stock held by the state. As a result, the value of state properties can increase steadily as the enterprise develops. In addition to their wages, workers also collect dividends as shareholders.

It is precisely because of these advantages that enterprises that have adopted the shareholding system have been able to improve their economic returns significantly regardless of whether they had been making or losing money. According to comrades at the State Restructuring of the Economic System Commission, the 3,200 enterprises that switched to shareholding on an experimental basis between 1984 and late 1991 increased output value and profits by 30 percent and 50 percent, respectively, on the average each year, notably higher than other state enterprises.

#### [13 Nov 92 p 1]

[Text] When I was in Chongqing, Wuhan, Shanghai, and Shenyang gathering materials for this story, I heard people praise the shareholding system every time it was mentioned as a good method of organizing and operating an enterprise. Yet when they were asked "whether or not the shareholding system can be broadly adopted in large- and medium-sized state enterprises," many people were speechless, as if it were too complex a question. Can the shareholding system be introduced on a broad scale among China's large- and medium-sized state enterprises? I consulted a number of experts, scholars, and enterprise leaders specifically on this matter. Their consensus was "absolutely yes," but it would be difficult. The worst impediment is that people are still being influenced by "leftist" stuff, still afraid to strike out and do things on their own boldly. The "leftist" influence is mainly felt in these three ways:

First, the shareholding system is regarded as capitalist stuff. There is a fear that when the shareholding system gets too big, it would lead to the privatization of state properties and undermine the foundation of socialism. According to the experts and scholars, the shareholding system is a way of organizing and operating an enterprise that applies to both socialism and capitalism. We would not weaken the base of socialism by adopting the shareholding system. Right now 2,000 billion yuan of all

enterprise properties in China are state properties. No matter what we do with the shareholding system, personal shares will not be worth more than state properties. State shares will always make up the dominant portion of enterprise shares, personal shares a minor percentage. After large- and medium-sized enterprises have adopted the shareholding system, state properties will keep increasing in value as the enterprises develop. The dividends and profits paid to the state will also grow briskly.

Second, there is a fear that the adoption of the shareholding system on a large scale will be a blow to banks and affect state capital. The experts say that the shareholding system essentially attracts idle social funds. Some residents will probably withdraw money from their bank accounts to buy shares, reducing the amount of deposits in the banks. On the other hand, the shareholding system will be a big boost to the fund market and go a long way toward breaking the monopoly of banks. The fact that enterprises adopt the shareholding system will also help the state concentrate its financial resources on key construction projects. In Shanghai, over 2 billion yuan in idle social funds were absorbed in the last two years by the 64 enterprise that had switched to the shareholding system. These enterprises are no longer borrowing from banks or have cut back on such borrowing, which means that the municipality of Shanghai has ample funds for urban construction.

Third, there is a fear that the large-scale adoption of the shareholding system and the issue of shares will lead to social instability. The fact of the matter is that the implementation of the shareholding system and the issue of shares, on the one hand, and social stability or the lack of it, on the other, are two separate matters. Why were there disturbances in Shenzhen involving people wanting to buy shares? Mainly because the process of issuing shares is not strictly regulated. The process is not open enough. Some people involved in issuing shares abused their office and engaged in malpractice for selfish ends, thereby igniting the anger of those who wanted to buy shares. Another reason is that there were too few sales outlets and the number of shares issued was too small to meet the demand of the masses.

In short, much "leftist" influence is still being felt today as we work to implement the shareholding system, impeding our ideological liberation. As long as such influence is not eradicated, the implementation of the shareholding system may well end up taking a round-about route. The experts, scholars, and enterprise leaders I have talked to suggest that leaders at all levels and in all departments start with themselves by ridding their own thinking of "leftist" influences and go ahead boldly with their experiment and work to implement the shareholding system, a good way of organizing and operating an enterprise, on a large scale among large- and medium-sized state enterprises.

[14 Nov 92 p 1]

[Text] Given the current state of the nation, how do we go about implementing the shareholding system in large- and medium-sized state enterprises? How do we put enterprise shares on the market? The opinions of experts and scholars everywhere and leaders from all quarters involved can be summarized as follows: Push ahead in stages systematically. The reason is that we had never tried the shareholding system, let alone issuing shares, in the era of planned economy. Also, large- and medium-sized enterprises differ from one another in myriad ways.

How do we push ahead in stages systematically?

1. Classify the enterprises according to the particular variety of the shareholding system they are suited for. Decide which enterprises should introduce the system ahead of others, which should adopt it at a later date, and which should not introduce it. The experts' consensus is that enterprises that involve national security, cutting-edge technology, or the extraction of rare minerals with strategic significance, as well as enterprises and trades under the state monopoly may not have to introduce the shareholding system now or in the future:

Except for the kinds of enterprises mentioned above, all other trades and enterprises should adopt the shareholding system, particularly those key projects slated for priority development by the state in such fields as energy, transportation, and communications, and large and medium-sized enterprises that are capital-intensive, have stringent economies of scale requirements, or face extensive technological transformation tasks. The products of all these industries are in short supply in the nation, so we need to develop them. When these industries take off, they will generate considerable profits. But it will take enormous investments to develop them. Since the state cannot afford such huge investments at present, the shareholding system is the only thing that will speed up their development.

2. Select different formats of the shareholding system for different enterprises depending on how they are being operated. Enterprises that are well managed and whose products are promising should be allowed to choose the shareholding-limited-company format and issue shares on the market. In view of the fact that China's stock market is still underdeveloped at the moment, we should put together many more companies of limited liability and allow their employees to hold shares. When the stock market has matured, we can then turn these companies into limited shareholding companies and let them trade shares on the market. As for enterprises that have been unprofitable or losing money year after year, they have all the more reason to adopt this format. We may even allow foreign businessmen and individuals to directly own shares there. In Wuhan, Shanghai, Shenyang, and Chongqing, 300 enterprises have adopted the shareholding system on an experimental basis largely by following the procedures mentioned above. They have achieved very good results.

3. Increase the number of stock exchanges depending on the differences of the various economic regions. In my discussions with the experts on this issue, they said that there are simply too few stock exchanges in China. This is a big country with an area of 9.6 million square kilometers and a population of 1.14 billion people, yet there are only two stock exchanges, the ones in Shenzhen and Shanghai, not enough by any measure. Increasing the number of stock exchanges as appropriate can only help and not hurt both the development of the stock market and social stability.

How do we go about increasing the number of stock exchanges? The experts and scholars think that new stock exchanges may be set up in places like Wuhan, Chongqing, Shenyang, and Beijing first. Already these cities are stable economic regions with a well developed market and an active financial market. Historically too these cities boasted a thriving stock market. Other localities may get their own stock exchanges in due course as the stock market matures.

4. Step up the training of personnel to meet the needs of the development of a stock market. Also in need of urgent attention is the formulation of rules and regulations, including those relating to the assessment and definition of state properties, auditing and accounting, the regulation of the stock market, and safeguards for investors so as to standardize management and make it consistent with international practices as soon as possible.

The experts have done some calculations. If 50 to 60 percent of China's large- and medium-sized state enterprises adopt the shareholding system, their profits may increase at least 60 to 70 percent from the current level. Take the Anshan iron and steel complex, for instance, a giant enterprise with 220,000 workers. Between 1987 and 1991, two of its subsidiary enterprises introduced the shareholding system internally as an experiment, issued 270 million yuan worth of shares within the enterprises, and transformed three projects. As a result, their annual wire rod output soared from less than 100,000 tons to 180,000 tons instantly and their output value and profits also doubled.

## FINANCE, BANKING

### Role of Finance in Socialist Market Economy

93CE0155A Beijing JINRONG SHIBAO in Chinese  
29 Oct-17 Dec 92

[Series of editorials by commentator: "Finance Is a Large Market—Discussion on Full Use of the Role of Finance in a Socialist Market Economy"]

[29 Oct 92 p 1]

[Text] The 14th Party Congress stated clearly that the goal in reform of China's economic system is establishment of a socialist market economy system. This breaks

important theoretical ground on the situation as a whole for socialist modernization, and it is becoming a powerful force in stimulating the acceleration of reform and opening to the outside world of every industry and trade. Finance must meet requirements in developing a socialist market economy, accelerate the pace of reform and opening to the outside world, and promote speedy and highly efficient development of the national economy.

A socialist market economy cannot operate without finance. Finance is part and parcel of a market economy that must be accorded the significance it deserves. Without commodity money exchange, and without the development of a market economy, how can the finance business exist? And if the finance business does not operate according to the laws of a market economy, how can it make a market economy prosper? The history of the development of market economies makes people see clearly the path for transition from a commodity economy to a currency economy, and on to a credit economy. In the socialist market economy that we want to establish, there are commodity markets, finance markets, technology markets, labor markets, human talent markets, information markets, real estate markets, etc, and the finance market is an extremely important integral part of this market system. One can say without the slightest exaggeration that without the prospering of the finance market, realization of a true socialist market economy is absolutely impossible.

In the former highly centralized plan economy system, finance was relegated to performance of a bookkeeping and teller role for plan directives. In the course of 14 years of reform and opening to the outside world, enormous changes have taken place in the finance industry. The separation of the central bank system from other operational financial institutions opened the way for banks to function the way business enterprises do. The addition of financial institutions performing diverse functions expanded the purview of the finance business' allocation of social resources. As understanding of the function of plan and markets gradually deepens, the role of finance in markets and the areas it permeates will steadily widen. The valuable practical experience gained in reform of the finance system lays a fine foundation for our further understanding and development of financial markets.

Today, China's finance business is at a new starting point. The important mission that history has conferred on us is to establish a distinctively Chinese socialist financial market that is truly in accordance with the market attributes inherent in finance. The scope of this market is very broad. It includes not only direct finance but also a very great proportion of indirect finance. In this market, market regulation plays a basic role in the allocation of resources. Economic activity will have to abide by the laws of value. Establishment of such a financial market under socialism is a magnificent objective. Our present understanding of this newborn thing is very insufficient. Realization of this goal requires a

tremendous creative spirit. It requires that we further change ideas, emancipate thinking, resolutely forsake all mistaken notions that run counter to the building of a socialist market economy economic system, dare to borrow ideas from others, and assimilate all beneficial foreign experiences and ways of doing things in the development of financial markets, striving through practice to open up new fields in the financial industry.

### [30 Oct 92 p 1]

[Text] In the course of building a socialist market economy system, how can all financial institutions—particularly the specialized banks, which do an overwhelming majority of the business—seize opportunities and meet challenges? Guided by the spirit of the 14th Party Congress, we can now clearly see that the finance business also has to be operated like an enterprise.

The basic work to be done in socialist financial markets is to fashion lively market action entities. The operation of banks, like businesses, is a reflection of the nature of money capital and is a general law of a market economy.

Currency, capital is a special outgrowth of a commodity economy. Its main dealers, the banks, are special enterprises that take this special commodity as their medium and take profit making as their goal. However, under the old system, and the shackles of leftist ideology, the character of banks as businesses was ignored. Banks became chattels of government and administrative organs for the allocation of resources on behalf of the state. Unless this government department style of operation and "large common pot" pattern of supplying funds is broken, in the market economy of the future, banks will find it very difficult to become independent legal entities in the true sense of the term, and to assume major responsibility for the movement and management of social value. The need for banks to operate as businesses is a summation of the country's experiences in financial system reform, and it is also an inevitable trend in the intensification of financial reform.

The operation of banks as businesses is a major prerequisite for good management of the macroeconomy and for invigorating the microeconomy. China has already shaped a new financial system in which financial institutions of many different kinds co-exist under leadership of the central bank, and in which the country's special banks are the main entity. One of the goals in setting up such a system is to make full use of the central bank's legal and administrative powers for regulating and controlling the economy through credit, reserves, interest rates, and exchange rates to affect the specialized banks' capital operating costs. This goal can be realized only if all the specialized banks truly become business enterprises. Only in this way can they become extremely concerned about their operating returns, make flexible responses, and most rapidly perform a macroeconomic regulation and control function. China's specialized banks have direct dealings with millions upon millions of business customers. Only by becoming businesses



themselves can they deal on an equal business footing with their customers. Banks must be made to take the initiative and show positive concern for the success or failure of their customers, consciously develop a sense of risk, increase their feeling of responsibility for risk, become genuinely responsible for their own profits and losses, place limits on their own behavior, and also move ahead with spurring enterprises to speed up changes in their operating mechanisms, take large strides toward markets, and make enterprises responsive to the market.

The key in making financial institutions operate like businesses is the separation of government administration and enterprise management. In the on-going financial reforms, heartening achievements have been made in effecting a separation of government administration and enterprise management in both the make-up of the financial system and in the financial management system. The task today is widespread exploration of various means for making operational financial institutions truly become legal entities responsible for their own operation to lay a solid foundation for the flourishing of financial markets.

Of course, operating banks like businesses has ramifications in many directions. It is a development process that is itself a piece of systems engineering, and it also depends on the maturation of objective conditions as well as on subjective efforts. We have a sense of urgency about this, but we cannot be overly hasty. We must move ahead gradually under leadership of the CPC Central Committee and the State Council in a planned, organized, step-by-step experimental way. Not only does the development and growth of the socialist financial business itself require this, but development of the socialist market economy also requires it. If this work is performed well, the finance business will surely make a greater contribution to the more rapid and more beneficial development of the national economy.

[2 Nov 92 p 1]

[Text Development of a market economy cannot ever be divorced from development of financial services. The flourishing of the financial business must likewise change as changes in the market economy require. The establishment of diversified financial institution inevitably reflects this objective need.

Since 1979, China's finance business has demolished little by little the People's Bank "unified domain" monopoly system in the preliminary shaping of a pattern in which the People's Bank plays the leading role, the country's specialized banks are the principal entities, and an assortment of banking institutions co-exist. This new system plays an extremely important role in assuring the smooth conduct of China's reform and construction. Nevertheless, it still falls far short of the requirements of socio-economic development, particularly the requirements contained in the strategic policy for a market economy that the 14th Party Congress

drafted. Therefore, we must open up our minds to catch up urgently with changes in the situation.

The 14th Party Congress specifically decreed that the ownership system of China's economy will be an integrated system that develops in common over a long period of time. In this system, ownership by the whole people and collective ownership will play the dominant role and will be supplemented by diverse economic components. In a market economy of multiple economic components and operating entities that operate in diverse ways, funds move in different ways, and requirements for financial services are also varied. Thus, a financial system that is excessively centralized and in which the economic components and operating methods are fairly commonplace is unlikely to be able to satisfy the development needs of different kinds of economic entities. Therefore, encouragement of the development of a number of new kinds of financial institutions having different kinds of equity rights and operating methods for the development and fleshing out of a financial system in which public ownership is dominant is also imperative.

Development of financial markets requires diverse financial institutions. The centerpiece of financial markets is financial organization. Only when numerous financial institutions compete can they provide the market with financial instruments that have different maturity periods, and whose liquidity and rates of return differ, thereby permitting investors and entrepreneurs a choice in making decisions.

Diverse financial institutions are not only in tune with the market economy, but they will also greatly assist the central bank's macroeconomic regulation and control, and advance a gradual transition from direct regulation and control to indirect regulation and control that is more in keeping with the market mechanism. In addition, they will also have a not-to-be-underestimated exemplary and stimulating effect in making banks more businesslike and on the capital utilization rate throughout society.

It is worth noting in this regard that we must courageously study and learn from the experiences of developed countries in setting up commercial banks. The reason that such banks play a leading role in world finance is that they meet the needs of modern socialized production and have advanced methods of administration and management. At the same time, we must also keep China's circumstances in mind, proceed from realities, and explore multiple forms of operation of our own. It must be pointed out that diversification does not mean setting up financial institutions willy-nilly. At the present time, it is particularly necessary to guard against the helter-skelter setting up of financial institutions and organizations on one pretext or another. We believe that the steady improvement of a diversified financial system in which the country's specialized banks play the main role and in which various kinds of financial institutions

co-exist will certainly promote the better and more rapid development of a socialist market economy.

[4 Nov 92 p 1]

[Text] Ever since its entry into China's financial realm, market competition has gradually gained popular recognition. An increasing number of people generally concede that with markets there is competition, and with competition the markets are lively, thus promoting development of markets.

Everyone can easily see that the rise and existence of competition has produced a gradual decrease in the bureaucratic business style of the specialized banks, and that the number of services available has begun to increase. The market orientation of the business services that financial institutions of all kinds offer has increased, and business has increased in varying degrees. Ideas about making a return, a service mentality, and the need to make one's own business decisions have all penetrated people's minds more deeply; all financial institutions are placing limits on their own behavior more than formerly, and the central bank's macroeconomic regulation and control of the operation of the economy is also becoming more solidly based.

How can competition perform such magic? The answer to this mystery lies in expression of the laws of value through market competition, which spurs all business entities in the market to allocate resources to those production avenues from which the returns are greater on the basis of the various kinds of economic information they get. Thus, the survival of the fittest is realized through market competition. One of the major tasks we must address in the building of a socialist market economy system is the strengthening and protection of fair competition, setting up an orderly competition mechanism.

Examination of the present state of market competition in the country's finance business in light of this requirement reveals the continued existence of situations that run counter to fair competition. Because of the unevenness in the degree to which financial institutions are run like businesses, a substantial number of the crucially important specialized banks and insurance companies are administratively shackled making it difficult for them to use the advantages they possess to compete. In addition, since the formulation of many financial laws and regulations lags behind the current development of financial markets, frequently no legal basis for an action exists. Consequently, survival of the fittest as a result of unregulated competition and inimical competition cannot be avoided.

A market orientation must be maintained in building a fair competition mechanism. A review of financial markets in the various countries of the world shows that market competition goes through a process of spontaneous disorder to order. China's financial markets began not long ago, so a certain amount of temporary chaos, or one or another kind of loophole may be expected.

Nevertheless, we cannot give up financial markets because of slight hitches. An orderly competition mechanism can develop and improve step by step only through a process of encouragement. There is no other way.

Some experts and scholars have proposed numerous remedies for problems in the competition mechanism of China's financial markets today. First, they want financial institutions, particularly the specialized banks and insurance companies, to operate like business more quickly, permitting them to enter the market free from all encumbrances. Second, they want to do more to improve financial rules and regulations. Conditions are not ripe for these things. Trial regulations might be drafted first that can be gradually fleshed out and improved. In short, the leaders of financial decision making institutions at all levels must act at once to place perfection of the financial market competition mechanism on their daily agendas.

[5 Nov 92 p 1]

[Text] Ever since reform and opening to the outside world moved China's economy away from a product economy system toward a commodity economy system, the insurance business has become a more rapidly developing business. During the 12 year period between revival of the country's insurance business in 1980 until 1991, insurance business revenues increased by an average 45 percent annually, breaking the 20 million yuan mark in 1991. With acceleration of the advance toward a socialist market economy in 1992, the insurance business will grow at an even greater rate.

Rapid development of the insurance business was inevitable. Once the problem of sufficient food and clothing for the populace was substantially solved, hundreds of millions of people have the wherewithal to seek a level of social security that goes beyond the level of ordinary sustenance and insurance; and as enterprises quickly orient toward the market, the need to transfer risk by taking out insurance has also generally increased. In addition, the steady increase in the percentage of market regulation creates opportunities and a climate for expansion of the insurance business. The insurance business has already developed very greatly, but it still has a long way to go to meet needs resulting from the building of a socialist market economy system.

First of all, the administration and management mechanism in insurance agencies does not meet needs. The modern insurance system is an outgrowth of the development of the market economy to a certain stage. The insurance system does not provide the most basic sustenance and insurance for people's lives. As an important tertiary industry, it should be operated like a business. Even though many changes have taken place in the operating mechanism of the insurance business, it is still a long way from becoming the legal entity that makes its own operating decisions that a market economy requires. Development of the country's economy and

degree of risk vary very greatly from one region to another. If insurance agencies lack sufficient authority to make their own business decisions when they must face different business environments, how can they inspire personnel to go all out? Many years of excessive restrictions on the use of insurance funds have greatly impaired increase in ability to pay insurance claims. This seriously limits the development of business such as long-term life insurance, which holds extremely great potential.

Second, the insurance market system does not meet needs. Thanks to the destruction of the Chinese People's Insurance Company's monopoly over the insurance market in recent years, insurance market competition, including competition from foreign-owned insurance agencies, has appeared. This is a welcome trend. Nevertheless, some worrisome situations also exist. Competition has begun, but needed regulation of competition has been slow in coming. For example, what kinds of agencies are competent to engage in market competition, what actions are deemed violations, what punishments are violators to receive, etc. have not been clearly defined. Unavoidably some actions that violate insurance business regulations occur. Currently quite a few places and departments simplistically suppose that the insurance business makes money quickly, ignoring the fairly high risks and the ups and downs in paying claims. Given their circumstances, competition does not easily lead to the opening of new realms or improvement of service quality; sometimes insurance agencies even lack the money to pay regular claims.

Vigorous development of the insurance business is a common cry heard from all quarters of the country. Translation of this desire into reality will require that the finance sector and all departments concerned created requisite conditions and do a so lid job of working together.

[6 Nov 92 p 1]

[Text] As a powerful lever for advancing social progress and economic development, finance must not only enliven the microeconomy but also regulate and control the macroeconomy to give impetus to the healthy development of a socialist market economy. Any ideas that ignore or weaken the macroeconomic regulation and control of finance are extremely harmful.

In its capacity as the central bank, the People's Bank is the country's main entity for macroeconomic financial regulation and control. Since its founding in 1984, it has discharged its functions rather well, fulfilling its main duties in macroeconomic decisionmaking, management of credit capital, currency stabilization, and attaining objectives in macroeconomic regulation and control of the national economy. Nevertheless, in terms of the laws and requirements of a market economy, the existing regulation and control mechanism is deficient in various ways. A completely new change in our macroeconomic regulation and control ideas, system, and methods is required. In drawing up various financial plans and

policies, we must correspondingly change the guiding thought that served a purely plan economy to one that completely guides the flourishing of a market economy and provides all services for it. In devising financial laws and regulations and a financial system, we must shift from a system lacking in vitality to one that both promotes fair market competition and also helps establish fine order. In choosing regulation and control methods and tools, we must gradually change from the mostly direct regulation and control methods of the past to greater use of indirect regulation and control. In short, our future macroregulation and control mechanism must respect market economy laws, must closely reflect all changes in market economy activity, and must express a greater market value orientation.

Enhancement and perfection of financial macroeconomic regulation and control is also necessitated by market weaknesses and apathy. Driven by profit laws, markets unavoidably exhibit some short-term behavior and a mistaken orientation from time to time. This requires us to raise and lower the "main sluice gates" promptly and accurately, making full use of macroeconomic regulation and control instruments including credit, reserve rates, interest rates, and foreign exchange rates to effect timely and appropriate regulation and control so as to reduce or eliminate reckless expansion of credit and an imbalanced industrial structure and allocation of resources resulting from this, thereby ensuring no major ups and downs in development of the national economy.

Numerous basic tasks must be performed in macroeconomic regulation and control. One matter of extreme urgency at the moment is establishment of a fairly complete and fairly accurate information system. We must reform the survey statistic [diaotong 6148 4827] system we have followed for many years so that our survey statistics reports and tables, headings in account books, and statistical patterns and methods fully, accurately, and quickly reflect the status of and changes in the economy. By so doing, our leading decision-making departments will have complete information and a good grasp of situations and, by so doing, a fine foundation will exist for the drafting of correct policy objectives, and for flexibly choosing and applying various economic tools.

Macroeconomic financial regulation and control is all-encompassing. It plays a part in directing the country's overall economic plans and policies, and it plays a part in providing powerful support and understanding to the economic control sector, the industrial sector, and local governments. At the same time, it requires that the central bank maintain relative independence in strengthening its own functions, in transforming its mechanism, and in actively coordinating the needs of all quarters concerned. We must act in accordance with the spirit of the 14th Party Congress to build gradually a more flexible macroeconomic regulation and control system that provides a supply of currency and that uses primarily indirect regulation and control as market operation

requires. It must steadily raise the level of macroeconomic financial regulation and control, the better to serve reform and opening to the outside world, and modernization.

[9 Nov 92 p 1]

[Text] Currency stabilization is an extraordinarily important task in financial work. It forms an important part of the central bank's macroeconomic regulation and control. The call of the 14th Party Congress for the building of a socialist market economy system requires that we correctly understand and handle the correlation between economic development and currency stability.

So long as it improves returns, faster economic growth is a major prerequisite for relative currency stability. The 14th Party Congress stipulated that, for some time to come, the speed of growth of the national economy must be markedly faster than the 2 or 3 percentage points envisioned in the Eighth Five-Year Plan, GNP growing by between 8 and 9 percent each year. The setting of this concrete objective provides tremendous encouragement and stimulation for reform in every realm and every industry, and it provides a new requirement for improvement of macroeconomic financial regulation and control, particularly stabilization of the currency. Currency capital is a basic driving force in modern socio-economic development. More rapid economic development is bound to require a somewhat larger money supply for a certain period of time. More banknotes may have to be issued. If rigid stability is to be pursued blindly, not only may this result in a hiatus between the intermediate term objectives and the final objectives of macroeconomic regulation and control, but the currency itself will not likely be truly stable. Granted that the currency was "stable" under the old system, the economy developed sluggishly; overall national strength was unable to increase more rapidly, nor was a more rapid rise in the people's standard of living possible. Therefore, so long as a fairly good return can be obtained, the national economy must develop fairly rapidly. Development is important. Only when the economy develops fairly rapidly can the currency be truly stable. The stability we seek is dynamic stability and relative stability.

When we say that currency supply must satisfy needs in the development of a market economy, we do not mean the issuance of currency in excess of economic growth. Furthermore, we must particularly guard against marked currency inflation, which is extremely destructive to economic development. Some people say, you have been crying wolf for the past several years, so how is it that the wolf has never appeared? This is a very complex matter. In an overall sense, the steady widespread and pervasive changes in China's economy, the relative easing of the conflict between total demand and total supply, the inauguration of a series of reform measures on prices and housing, and the strictures of improving the economic environment and rectifying the economic order changed, to a very great extent, the direct causes of inflation like

that of 1988. Even so, we must still be concerned about some realities at the present time; the scale of credit and issuance of currency continues to increase; investment in fixed assets is increasing rather vigorously, the kinds of investment not being entirely rational; prices are rising rather greatly in large- and medium-sized cities; the government's financial situation provides no cause for optimism; and prices of important raw materials and power are rising, etc. With the building and acceleration of the market economy system, these various inflationary factors may intensify further. We must maintain a high degree of vigilance at all times in this regard.

In summary, the currency stability of which we speak is stability during rather speedy development. This development is founded in turn on a complete increase in returns from the use of currency capital, the two acting as mutual cause and effect and complementing each other. Therefore, our policy makers must maintain their independence in calculating the currency supply as well as about the attendant management of various specifics. While actively satisfying the needs of all, they must concentrate closely on changes taking place in the market economy, keep a firm grip on the "main sluice gates." They must use currency stability and protection of the value of the currency to steer the country's socialist market economy toward a new road that is fast, provides good returns, produces good quality, and is in keeping with the requirements of domestic and foreign markets to create a fine financial climate for the widening of reform and opening to the outside world.

[10 Nov 92 p 1]

[Text] State-owned enterprises are in process of orienting toward the market, making major changes in their operating mechanism. If some people regard this change as solely a matter for business enterprises and the government, ignoring the role of finance in it, they are making a large and egregious mistake.

During the past several decades, the specialized banks, which are in direct contact with business concerns, and whose financing accounts for approximately 85 percent of all financial institution's financing, have been the main channel for financing enterprise reproduction. With the change in business enterprises' operating mechanism, all economic activities including operating decisions and the management of production, will continue to remain strongly dependent on this indirect financing for a long time to come. This relationship between borrower and lender has seemingly changed little in form, but in the way it has invigorated the availability of bank credit funds and increased the amounts available, and its improvement of all services and administration differs completely from management under the traditional plan system.

Changes in the state-owned enterprise mechanism inevitably produce new forms of equity rights organization and ways of doing business. In their operation, no longer do these new-style entities eat out of the large common



pot of financing that banks provide; instead, they look to broader financial markets and the associated services they offer. Consequently, the founding and perfection of a financial market system that has different levels, caters to different clienteles, and offers financing for different periods of time has become a task of ever increasing urgency.

The specialized banks are oriented toward large enterprises that provide energy, transportation, and raw and processed materials, an overwhelming majority of which are basic industries affecting the national economy and the people's livelihood. In dealing with them, the banks must continue crucial support to maintain the uninterrupted growth of reserve strength for their production. In addition, the banks must reform old credit management methods and employ stronger credit restraints to spur them to pay more attention themselves to returns from investment, the expansion of reproduction, and administration and management.

Enterprises' organization of the key elements of production in the most effective ways may bring in its wake a series of new problems such as the placement of redundant personnel, and providing for retired and separated personnel. This necessitates vigorous nurture and development of tertiary industries, and the building of a widespread social security system to provide employment, medical treatment, housing, and insurance. Many of these areas of activity are the very ones in which finance can play a great role.

Prospects are very good that finance can stimulate a more rapid change in enterprises' operating mechanisms. This will require not only a large amount of investment, but will necessitate greater attention than at any time in the past to changes in market demand. It will require a full grasp of every aspect of credit funds management. When business enterprises make wrong market choices, when the amount of funds tied up zooms unreasonably, and when actions are taken in violation of regulations, we must learn to say "no." Weaning a baby is painful, but it is only by going through this painful process that a child can grow up to be healthy and strong. This simple reasoning also applies to changing the operating mechanism of enterprises.

[11 Nov 92 p 1]

[Text] "Without rules and regulations, a neighborhood becomes impossible." This phrase illustrates graphically the importance of building laws and regulations. In building and strengthening socialist financial markets, the fashioning of laws and regulations is an extremely important basic task.

Since the beginning of financial system reform, the fashioning of financial laws and regulations has received serious attention. In response to the development of financial markets, the state inaugurated a series of legal regulations applicable to the whole country, and every jurisdiction and financial system also drew up regulations and ordinances suited to their own circumstances.

These laws, regulations, and ordinances will play a positive role in varying degrees in introducing the legal system into the development of financial markets.

Nevertheless the financial laws and regulations that have been fashioned are far from being able to respond to the development of finance. For example, major laws and regulations such as **Banking Law**, a **Negotiable Instruments Law**, and an **Insurance Law** have been slow in coming. Some of the provisions of regulations now being followed frequently contain considerable local or departmental limitations, and the lack of integration among them makes impossible their uniform application nationwide. A situation continues in which there are no laws to be observed in some cases, and laws that are not observed in others.

It should be said that basic conditions are already in being to accelerate the fashioning of financial laws and regulations. First, the 14th Party Congress has summarized experiences during 14 years of reform and opening to the outside world to prescribe and establish socialist market economy reform goals. This major theoretical breakthrough helps clarify many ambiguous ideas that made people languish in uncertainty heretofore. It permits a guiding thought for the drafting of laws and regulations that is closer to objective economic laws. Second, financial system reform has gone through a tortuous and bitter-sweet process. These rich, practical experiences provide us a fairly profound understanding of what must be given attention in every regard in setting up financial markets under the conditions that exist in China. It helps the drafting of financial laws and regulations that are better suited to China's realities.

Fashioning better financial laws and regulations requires a strong market economy concept. Modern market economies are a totality. In China's financial markets, regional differences are narrowing; individual markets within the overall market are interacting with each other; and the influence of financial markets on other markets in the country's market system is increasing. The drafting of financial laws and regulations requires full consideration of these complex and overlapping market relationships if they are to have widespread applicability and greater authoritativeness.

Greater speed in the fashioning of financial laws and regulations also entails courageous borrowing of international experiences. Financial markets in capitalist countries have a several hundred years history of growth and development during which a tight system of laws and regulations has taken shape. These laws and regulations pretty well reflect objectively the general laws of a market economy, and some of them we can use ourselves. By so doing, not only will we take fewer detours, but this will also help the dovetailing of the operation of China's financial markets with international practice for an acceleration of the pace of internationalization.

Financial legislation and the building of an implementation system require moving a step upward, and leaping

up a new step will also be possible. With hard work, our aspirations can be translated into reality.

[12 Nov 92 p 1]

[Text] Internationalization of the world economy has moved along very rapidly during the past 20 years, the internationalization of finance particularly so. The volume of world financial transactions far surpasses the volume of world trade. In their efforts to respond to the complete internationalization of economic activities, banks all over the world have become more comprehensive and more service oriented in scale of operations, clients served, style, and administrative methods. World financial policies and financial legislation are becoming more integrated and uniform; the scale of cooperation is expanding, and the degree of cooperation is deepening. Computers provide the material and technical basis for the computerization of finance and the accelerated expansion of a global banking communications network.

Conduct of reform and opening to the outside world in such an international economic and financial climate both exerts pressures on, and provides opportunities for, China's finance. Faced with intense international competition, China's finance business must accelerate the pace of its internationalization if it is to widen its competitiveness in world markets. However, the successful experiences of all countries of the world helps China's finance business both avoid detours and take a shortcut to rapid entry into the ranks of the powerful.

Reform and opening to the outside world inevitably aims at the internationalization of China's finance business. In recent years, foreign-owned and cooperatively owned financial institutions have landed in China, their numbers gradually increasing. The amount of money that China has raised on international financial markets has steadily risen. In its financial structure, management methods, accounting system, and financial tools, China's finance business has begun to draw closer to international practices, and the modernization of financial markets has accelerated. Despite the advances toward internationalization of the country's finance, overall, it is still at the beginning stage. As reform and opening to the outside world accelerates, the pace of internationalization of finance will quicken as well.

We must act more boldly to accelerate the internationalization of finance. Reform of the country's habitual system and methods requires some risk taking. Only by daring to experiment can we digest and assimilate the things we learn through practice to make them work for ourselves. Naturally, daring to experiment does not mean rushing headlong into mass action; we must move ahead in a planned way. We must run some pilot projects first; then, after gaining some experience, we can move from a single point to a wide area in applying it.

China's internationalization of finance must proceed at the same pace as the development of markets. The areas into which foreign-owned financial institutions are introduced and the kinds of such institutions must be

suitably expanded, simultaneous efforts made to promote the establishment abroad of branches and sub-branches of Chinese financial institutions. Finance cannot be internationalized overnight. Developed nations rely on abundant economic strength and mature market systems for internationalization. We are far behind these countries in many ways. Full decontrol all of a sudden without regard to circumstances would very likely produce a negative effect on our financial reforms. The more hurry, the less speed. Therefore, in the process of accelerating the internationalization of China's finance, we must both unswervingly open to the outside world and also act realistically, opening up in a step-by-step way that is in keeping with the increase in the country's economic strength and changes in the degree of growth of financial markets. How to combine these two tasks appropriately and ingeniously is a new problem that we must explore and solve.

[13 Nov 92 p 1]

[Text] In the course of the burgeoning development of the modern world economy, as a follow-on to the tertiary industries that provide all kinds of services, the information business, whose position and role is increasingly important, is rising to become a quaternary industry. Financial information is developing particularly rapidly.

Since the advent of reform and opening to the outside world, as the socialist economy changes toward a market economy system, the role of financial information in spurring productivity is becoming more apparent. In both the macroeconomic decisions about national development strategy and the microeconomic choices of countless households about financial assets, financial information is an indispensable element. Financial information is a profound reflection in value form of the changes and trends in a market economy. As wealth in the form of knowledge, it functions to help people understand laws and master laws more completely so as to be able to organize all forms of latent productivity into real productivity. The increased financial awareness of which we often speak includes full appreciation that financial information is a precious resource.

In China, financial information is mostly generated by a multiplicity of institutions in the financial system. Financial institutions provide both all sorts of financing services and large amounts of financial information. As finance encompasses a wider area, and as modern technical equipment becomes more generally used, production and dissemination of financial information has increasingly become their main function. In comparison with the needs of the socialist market economy, the production of financial information in China is very insufficient in both quantity and quality. We must promptly understand changes in demand in every field. We must constantly innovate and pioneer to provide society with quality financial information in quantity.

Improvement and expansion of the dissemination of financial information is also an important task we face.

The demand for information comes from the financial system as well as from all trades and industries. This is a huge market. The flow of financial information has begun to take shape in recent years. Within the financial system, some computer information networks that provide different kinds of information have been set up. Countless businesses, magazines, and visual media of various kinds have expanded the dissemination of financial information. We must expand further from the present foundation, keep circulation channels open, promote the use of more expeditious circulation methods, and make more use of lively methods that people like to hear and see to expand financial information coverage.

The development of valuable sources of financial information is a creative form of labor requiring high intelligence. We still have limited knowledge of this new field; to a very large extent, it is still terra incognita. This article has only broken the ice. We must continue to proceed from China's realities, use practice to explore the laws of development of the financial information business, and compose a brilliant and prolific new chapter.

[16 Nov 92 p 1]

[Text] The building of a socialist market economy poses higher demands on the building of a finance corps. Not only must this corps be versed in the laws of a market economy and possess fairly strong business acumen, but it must be honest and disciplined in the performance of official duties, scrupulous about professional ethics, adhere to a socialist orientation, and ensure that financial services develop in a healthy direction in a complex environment.

Development of a market economy under a socialist system is a magnificent practice never before undertaken in human history. The essence of socialism is the emancipation of productivity, the development of productivity, the eradication of exploitation, the elimination of bipolarization, and the ultimate attainment of common prosperity. From a foundation of the summarization of practical experiences, the CPC Central Committee has proposed a series of strategic plans that call for "taking hold with both hands." These plans emphasize taking hold of reform and opening to the outside world with one hand while taking firm grip on attacks against all kinds of criminal activities with the other hand; taking firm grip on economic construction with one hand, while using the other hand to embrace a democratic legal system; and using one hand to hold fast to material civilization while using the other hand to hold fast to spiritual civilization. These are the principles that the building of a financial corps must abide by.

Since the advent of reform and opening to the outside world, the position and role of financial services has steadily increased, and the financial corps has expanded rapidly. With the quickening of progress in building a socialist market economy, both financial services and the financial corps will see more rapid development. Financial work must move a step upward; firm attention must be paid to professional work and the building of a professional corps, and no relaxation can occur in the building of ideology. Professional work must have powerful ideological and political backing.

The goal of political and ideological work is to arouse to the full people's enthusiasm for socialism. In the process of building a socialist market economy, very many changes will occur in the economic system, socioeconomic relationships, and people's ideas. In response to these new changes in the social climate, political and ideological work must explore new methodologies and create new experiences that meet the new circumstances and new problems. Political and ideological work must be closely linked to professional work in the financial system, diverse, vivid and lively methodologies found. Skill in proceeding from the practice of reform and opening to the outside world is needed, education in the party's basic line, and education in patriotism, collectivism and socialist ideology must be improved; and more must be done to build professional ethics.

More party building and improvement of party leadership is a prerequisite for taking hold with both hands. Party organizations at all levels in the financial system must consolidate the building of grassroots party organizations to make fullest use of the role of Party members as vanguard models. Effective measures must be taken to rectify party style and to do more to build clean government. Democratic parties, labor, youth league, and women's associations must be mobilized and organized for a joint effort to improve the building of the financial corps and for the establishment and perfection of a supervisory system inside and outside the party that is linked from top to bottom and from bottom to top.

[17 Dec 92 p 1]

[Text] Full use of the role of financial work to make it truly a bridge and a hub in the building of a socialist market economy requires that we attend to what might be termed countless and extremely detailed things. Where to begin? The focus should be on fully study and profound understanding of the spirit of the 14th Party Congress documents.

The report of the 14th Party Congress is the Party's summation of the magnificent practice during 14 years of reform; it is the action program for China's march into the 21st century. It possesses an extremely broad applicability and an extremely profound content. On the basis of some most recent reports, everyone has very great

enthusiasm for study from which both the exploration of possibilities and dealing with concrete matters has produced very great results.

As in other professions, one of the main reasons for the various twists and turns that have followed in the wake of financial services reform is the shackles of "leftist" ideology. Reflection shows that in drawing up some financial plans and policies, and in undertaking some specific tasks in the past, we either consciously or unconsciously became divorced from realities, using "categorizations" as a yardstick for making judgments and comparisons. To a certain extent, this violated the laws of a market economy and limited the development of productivity. We must guard against "leftism," but we must particularly guard against "leftism" in connection with our thinking and work realities. We must constantly heighten the awareness and resolve of the financial services field to implement thoroughly the party's basic line. In completely studying and understanding the spirit of the 14th Party Congress, the word "completely" is very important. Examples include rushing headlong into mass action at the method of more speedy development; ignoring or even repudiating the role of plan management at the mention of the role of the market economy; and immediately wanting to replace everything and take an extreme ideological view at the mention of improvement of management methods.

Complete study and understanding of the spirit of the 14th Party Congress requires implementation of the principle of seeking truth in facts. China's resources are not evenly distributed, the degree of reform, opening to the outside world, and development differs between one part of the country and another, and there is a very great difference among enterprises in their management level. This requires that, in supporting the building of a market economy, full use be made of the role of financial services in both macroeconomic regulation and control and in reporting actual needs and possibilities, that financial services deal with different topics differently at different times, that they dynamically and creatively perform, and that they reduce or avoid the simplistic method of dealing with everything with arbitrary uniformity.

Complete study and understanding of the spirit of the 14th Party Congress also requires learning how to deal dialectically with some basic cause and effect relationships. Examples include the relationship between development and stability, the relationship between immediate interests and long-range interests, the relationship between the partial and the total, and the relationship between spiritual civilization and material civilization. Correct understanding and handling of these relationships is not only intimately linked to the development of financial services, but also holds crucially important significance for acceleration of reform and opening to the outside world, and for the stimulation of full economic and social progress.

The series of editorials that this newspaper has published under the title "Make the Most of the Role of Finance in a Socialist Market Economy" ends today. However, our complete study and understanding in common of the spirit of the 14th Party Congress is far from ended. "Building a road is slow work." Even though numerous travails and vicissitudes lie ahead on the road to modernization, we are still confident and courageous because this is a road unprecedented in history that is filled with brightness.

### Market Economy Leads to Financial Reform

93CE0140C Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 10, 11 Oct 92  
p 18

[Article by Li Xiaoxi (2621 2556 6007), assistant research fellow at CASS's Finance, Commerce, and Commodities Institute: "We Should Take Advantage of Driving Market Economy Forces To Speed Up Our Financial Reform"]

[Text] The effective application of a sound monetary policy is based on a good financial system. As not deepening our financial reform will make it impossible for us to evolve effective monetary policy tools or carry out efficient monetary policy operations, any discussion of monetary policy must consider the basic conditions or essential framework of a monetary policy.

1. Our financial system needs to be further reformed. Our financial reform practice is relatively backward in comparison to our financial reform theory, our commodity market and commodity price reform practice, and especially our 1992 economic reform and state of economic growth in all areas. Our financial system has the following two basic features: 1) While we are striving to expand market competition in the field of banking, we actually still practice mostly state monopoly. 2) While we are emphasizing indirect banking regulation and control, we are still practicing mostly direct planned management focused on overall credit planning. These two features show that while we have made greater financial reform progress in recent years, we have not yet broken away from the set patterns of our traditional system, which is making it hard for us to adapt to the needs of socialist market economy operations. This means that while our economy is fairly stable, our effective supplies are decreasing.

2. The objective factors in our lagging financial reform practice. Our financial reform progress is being limited in both rate and depth by objective factors in all areas. As financial reform involves transactions of the exceptional commodity of money, it is naturally harder than ordinary commodity management reform, so that its reform progress is more difficult. The pricing tactics of "controlling money while deregulating prices" implies a reform time-sequence plan in which financial reform should be carried out after commodity price reform, which is also one of the factors in our slower financial



reform progress. As our reforms are being deepened, planned management and fiscal regulation and control are becoming increasingly difficult, with the government depending to a greater extent on the banking system to exercise planned management, which is also slowing the market reform of our financial system. This was even more evident during the period of improvement and rectification.

In short, I believe that the lag in our financial reform is inevitable and rational. Our current need is not to complain about this, but rather to focus our energies on deepening our financial reform at a faster pace as quickly as possible.

3. Now is an opportune time for financial reform. Financial reform will require multilateral joint efforts. Making our central bank independent is not a matter that the central bank can handle on its own, nor is the commercialization of our specialized banks a thing that specialized banks can do independently. The reaching of a consensus by all parties from top to bottom on all aspects of the general framework of a "socialist market economy" is an especially crucial prerequisite for faster financial reform. Our senior policymakers are considering ways to pair up our financial system and monetary policy under socialist market economy conditions with other reforms in all areas. Our market economy is growing rapidly in all areas, with the percentage of our economy that is market-regulated growing quickly, which is posing a stiff challenge to our current banking system. And the financial reforms that we have tested, such as establishing money markets and shareholding-system banks, and introducing foreign banks, are speeding up our financial reform. In short, now is an opportune time for financial reform, because we can take advantage of driving market economy forces to speed it up.

4. The keys to financial reform will be expanding money markets, developing competition, and breaking monopolies. Our rapid development of a market economy is bringing vigor to our existing money markets, with certain financial institutions of all types that are suited to market economy development springing up. While this is causing a certain amount of unavoidable confusion, the direction is right. These financial institutions are vigorously and effectively speeding up local economic development, with their operations also posing a challenge to state banks, while having the overt or covert support of local authorities. I believe that we should use "the judgment criterion of whether they contribute to the development of our productive forces" to further expand and standardize our money markets. And we should encourage the growth of a credit economy on a market-economy basis.

In order for state banks to take part in markets and competition, they not only will have to strive to become more businesslike, but also will have to make efforts in

the area of property rights demarcation. Shareholding-system banks with state stock-control have better operating efficiency than state-owned banks because they are already more businesslike than specialized banks. We could now consider either further carving up specialized banks to make them more competitive, or supporting in a controlled and selective way the formation of several large nonstate-owned banks, or even giving more operating jurisdiction to the foreign banks that we have already introduced, as a stimulus to encourage competition.

Central bank independence will be based on the demarcation of specialized-bank property rights, as well as on the clarification of their financial relations. This means that the realization of central bank independence will be linked to an expanded market foundation in the field of finance. And the exercise of indirect macroeconomic regulation and control by the central bank will be linked to breaking the monopoly standing of state-owned banks.

#### **Economist on Potential Inflation, High Economic Growth**

93CE0140B Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 10, 11 Oct 92  
p 9

[Article by Lin Jiken (2651 4949 5146), professor at Northeast Finance and Economics University: "The Need To Guard Against the Potential Danger of Inflation During Periods of Rapid Economic Growth"]

[Text] The key to maintaining sustained, steady, and balanced economic growth is paying special attention to the potential danger of inflation during periods of rapid economic growth. If we can realize this potential danger, analyze the factors that produce it, and take active steps to prevent it at its inception, we will be able to ensure sustained, steady, and balanced economic growth and keep our currency stable. But on the other hand, if we ignore this potential danger, neglect to study and analyze it, and do not take active steps to prevent it, the consequent inflationary pressures will become increasingly greater, even resulting eventually in inflation that will make it very hard for us to maintain sustained, steady, and balanced economic growth.

The major factors producing China's current potential inflation danger are as follows: 1) Poor economic efficiency. Some enterprises have not essentially reversed their poor economic efficiency and severe losses, which means that they not only cannot provide the nation with much fund accumulation, but even need the nation to provide them with large financial subsidies instead. Economic efficiency is a country's inflationary foundation. As poor economic efficiency, high input, low output, and an overall imbalance between supply and demand are bound to produce inflation, poor economic efficiency is a disaster as far as inflation is concerned. 2)

An irrational economic structure. Our economic structural adjustment is proceeding slowly, with our slow development of basic industries and infrastructures, such as power, transportation, communications, and raw materials, creating "bottlenecks." The currently reappearing trend of duplicate development is adding to our economic structural adjustment difficulties. Moreover, unchecked duplicate development is a great waste for our whole society, with its losses and waste being key factors that produce inflation. 3) Growing budget deficits. Our proportion of state revenue, particularly central revenue, is too low, while our burden from price subsidies, enterprise-loss subsidies, and administrative spending is too heavy, so that our budget deficits are growing. Our budget deficits were 21.106 billion yuan for 1991, 20.786 billion yuan for 1992, and a cumulative 76.42 billion yuan from 1979 through 1990, which has created sharp inflationary pressures. 4) Too much credit and currency issue. Our year-end loan balances were 396.604 billion yuan for 1983 but 1.36179 trillion yuan by 1989, up 343 percent, and our year-end money supply balance was 52.978 billion yuan for 1983 but 234.402 billion yuan by 1989, up 442 percent, while our GNP was 580.9 billion yuan for 1983 but 1.57887 trillion yuan by 1989, up only 272 percent. This shows that our credit and currency issue both grew far more than our economy, with our money supply exceeding objective demand, which creates potential inflationary pressures.

China's national economy is now shifting from steady recovery to faster growth, which is adding to our potential inflationary pressures. We need to pay adequate attention to this. In particular, during future modernization periods of faster growth and better efficiency, we need to strive to assimilate the economic growth experiences and lessons that we have learned in the 4 decades or so since the founding of the PRC, by persisting in focusing on better economic efficiency and faster economic growth, while avoiding inflationary economic spirals as follows: 1) We must rely on S&T development for faster economic growth. 2) We need to improve the overall quality of our national economy, particularly by raising the quality of our workforce to make it better adapted ideologically to public ownership. 3) We need to adjust our economic structure and improve our economic efficiency. 4) It will be only through controlling our money supply that we can put our price relations in order and evolve rational pricing mechanisms. 5) We need to strive for a better balance of revenue and expenditure, in order to shrink our budget deficits. 6) While currency and credit may operate in the same direction in support of economic growth, we need to pay even more attention to their operation in opposite directions. 7) We ought to ensure the relative independence of the central bank (PBC), so that it issues currency in line with the laws of money supply demand. 8) We need to draw up a correct income policy, and pay attention to the following three limits: (a) wages should not grow more than labor productivity; (b) wages should grow more than inflation; (c) Bank savings interest rates should be higher than inflation rates.

## FOREIGN TRADE, INVESTMENT

### Effect of Enterprise Transformation on Exports

93CE0152A Beijing JINGJI YU GUANLI YANJIU  
[RESEARCH ON ECONOMICS AND  
MANAGEMENT] in Chinese No 21, 8 Aug 92  
pp 13-17,9

[Article by Zhang Zhongru (1728 1813 1172), Qiang Cunshan (1730 1317 1472), and Chen Gengxin (7115 2577 2450): "On Reform of Foreign Trade System Under New Circumstances of Enterprise Mechanism Transformation"]

[Text] Comrade Deng Xiaoping recently pointed out that in reform new ways of thinking must be explored. The reform of China's foreign trade system has already gone on for more than 10 years. The three years of the contract reform beginning in 1988, and the reform of self-responsibility for profits and losses put into effect since 1991, have to different degrees promoted the development of the export-oriented economy. However, basically speaking, at present in foreign trade the "one big pot" management style—in which the government and the enterprise are not separated, the organizations are numerous and jumbled, and administrative measures are made primary—has not yet changed. The internal mechanisms, macrocontrol system, and coordinated services system are not sound; and the reform of self-responsibility for profits and losses is not thorough, and it falls far behind the reforms of the mechanisms for transforming export-producing enterprises. This article integrates on-the-spot investigation, and tries, from the angle of theory, to inquire into new ways of thinking for further deepening the reform of the foreign trade system.

### I. Changes and New Requirements for Restricting Factors Under New Circumstances for Enterprise Transformation Mechanisms

Over the past several years, there has been an overall improvement in China's export commodity mix, but the pattern in which raw and subsidiary materials, primary products, and low add-on value are made primary, basically has not changed. The traditional export commodities—textiles, livestock, light industry, and foodstuffs—still occupy a fairly high proportion. Not only is the flexibility in demand and income of these export commodities low, but also they are easily affected by trade protection policies. Although the export of machinery and electronic products, chemical industry products, and products with a high tech content is on the increase, the greater part of them are spare parts and fittings. Most of China's successes in export commodities in international competition are achieved by low prices. Except for a tiny number of export commodities—such as raw silk and peppermint oil, in which China has a monopoly—it is difficult for China to raise the prices on the greater part of its commodities. The foundation of the export commodity mix is determined

at the deeper level of the industrial base structure. The transformation of the management mechanisms of export-producing enterprises urgently requires the transformation of the functions of foreign trade departments, so that they give positive guidance and help producing enterprises to adjust their industrial and product mixes in order to spur on in good time the adjustment of the export mix. Helping the enterprise to initiate compensation trade, import equipment, and do technological transformation well will make the enterprise raise the level of its products, improve their quality, and increase their add-on value and high-tech content. This will increase the commodity processing depth, optimize the export commodity mix, change the trend toward making the export of products of a resource nature and a labor intensive nature, and improve the macro export results and comparative results.

1. The transformation of the management mechanisms of export-producing enterprises, especially the increase in the export rights of large and medium-sized enterprises and the rapid growth of the three kinds of enterprises that are either partially or wholly foreign-owned, dealt a blow to the traditional management style in which the foreign exchange earned by foreign trade exports was standardized throughout the country. Foreign trade enterprises urgently need to renew their concepts, establish the idea of a "greater foreign trade" in foreign trade, foreign economic relations, and foreign capital; and develop in the direction of making one industry primary and of effecting an internationalized, group-like, and industrialized integration of trade, industry, agriculture, and technology. The foreign trade enterprises have been affected by a management crises that had never happened before; and we must run factories and set up the three kinds of enterprises that are either partially or wholly foreign-owned, in order to develop export foreign exchange-earning bases and form enterprise groups. However, the serious deficiency of self-held funds has become a major restraining factor. At the end of 1990, the proportion of self-held funds in Jiangsu's foreign trade was 3.9 percent, and more than 90 percent of the funds demand source was the Bank of China, which was powerless to develop and grow. Let alone the fact that it is not easy to engage in production, abandoning channels that are familiar with the international market situation, information, and trading order is not the best thing to do. An expedient measure is to demand that in foreign trade economic measures be used to coordinate well the relationship between industry and trade, thereby changing the past practice in which only administrative measures were used to buy and organize commodities; deepen internal reform; effect good macrocontrol; weaken microparticipation; and level by level, grade by grade implement management with the true characteristic of being responsible for its own profits and losses.

2. Transforming enterprise mechanisms, while demanding an increase in foreign exchange earnings, must put more stress on increasing economic returns and

staying power of self-development. Some export-producing enterprises feel that foreign trade—this level of "uniformity"—is too "thick" and cannot see clearly the international market and its information. A hundred percent of the profits of the joint industry-trade Jiangyin Knitwear Mill are bought for foreign trade, and last year the mill indirectly earned \$10 million in foreign exchange and its operating losses were roughly 5 million yuan. The Wuxi City Printing and Dyeing Mill is a large enterprise with a little over 73 million yuan in fixed assets. Last year it had 230,000 yuan in sales with a book profit of only 84,000 yuan. If the handling of "hanging accounts" and the costs that should be shared but are not yet shared are excluded, there is an even greater loss. If the export-producing enterprises reach a certain scale, only by increasing output will they share the fixed costs. Moreover, the purchase amount of foreign trade is tied to the worker and staff bonuses; in addition, there is a lack of "transparency" in the export subsidy given once a year to factories. The fundamental strength of an enterprise—this management entity—is gradually being weakened. This situation also exists in foreign trade enterprises. Paying attention only to earning foreign exchange, like producing enterprises only paying attention to "output value," overlooks economic returns and other indices.

3. The export-producing enterprises demand the right to enjoy the use of some foreign exchange in technological transformation and commodity renewal. To coordinate with the 1991 reform in foreign trade of self-responsibility for profits and losses, Jiangsu Province, with regard to the original 10 percent of the foreign exchange given to producing enterprises, put into effect compensation purchase, which really played a role in foreign trade's completion of its 1991 task of earning foreign exchange by export. Before 1991 there was a one-time adjustment in the renminbi exchange rate and "hanging accounts" were put into practice, "hanging accounts" that the foreign trade enterprises could not enjoy. After 1991 began, the state adopted the method of constant micro-adjustment, causing the foreign trade enterprises to reap no little benefit, and some companies made a profit of several tens of million yuan. This was the basic source of the 1991 operating profits and the smooth transition to the practice of self-responsibility for profits and losses.

4. For the operating losses and their interest in the three-year contract period, "hanging accounts" continued to be put into practice, becoming a difficult point in the further deepening of the reform of the foreign trade system. The proportion of export drawback contracted for in local finances rose from 10 percent last year to 20 percent this year. It is thus obvious that the differences in economic foundation causes a contradiction of unequal competition between province and city. The Foreign Economic Relations and Trade Commission's opinion is that the 746 million yuan in "hanging account" loss in the three-year contract period in Jiangsu's foreign trade is to be separately "hung" by the

province and city financial administrations; the financial administrations' opinion is that they be separately "hung" in the provincial and city companies. In the end, if there are no measures for assimilating and implementing, the loss will be "hung" on the Bank of China.

5. The transformation of enterprise mechanisms demands that in foreign trade the government's and the enterprise's functions be separated, the relationships be smoothed out, the organizations be streamlined, and the middleman elements be weakened, thereby increasing the degree of "transparency" and the capability for coordination. Now, Jiangsu's foreign trade provincial and city companies have been let off the hook, the relationship between the higher and lower levels has turned into a partner relationship of fraternal cooperation, and the financial system has been transferred down to the financial administration at the same level. The 1991 practice of self-responsibility for profits and losses was only implemented in the provincial companies, and the city and county companies still ate out of "one big pot." Under the new circumstances there has appeared a situation in which the provincial company goes directly to the factory to buy goods at the source; and the city and county goods-source companies, in order to complete their own tasks, go to the factories to get original note accounts in order to engage in transfer-item trade. For a time, multichannel, multiport export, mutually cutting prices for internal consumption was once again an accommodation to foreign businessmen. The Foreign Economic Relations and Trade Ministry is now controlling the provincial and city companies too strictly, and a provincial company's license is directly issued to the basic-level company, which is a case of controlling in too much detail. Therefore, the complete set of administrative control measures and their forms, which have been taking shape for a long time, urgently need to be changed. The reform of the foreign trade system in recent years has basically followed the idea of delegating rights and interests, but there is an indication that in this situation, the reforms have been pulled back. Third-category commodities are received as second-category commodities, and second-category commodities are being upgraded to first-category commodities. In the examination and approval of import and export rights, the difference between regions is ignored and arbitrary uniformity is imposed. In the method of distributing licenses and the number of them distributed, there are serious flaws, waste, and other irrational phenomena. The abovementioned problems await a further smoothing out of the foreign trade system and a further deepening of the reform of this system.

6. The gradual obtaining of the legal position of the original GATT signatory nations will have an impact on the foreign trade's import system and its producing enterprises. At the same time, because the national industry is bound to be adjusted, an "antimissile" mechanism will be formed for the foreign trade system, and a demand for deepening the reform will be made. Following the development of China's export-oriented

economy and its gradual push toward the international market, the opening up of the international economic relations and finances domain and the international economic relations and trade domain has become an inevitable trend. China's foreign economic strategy has changed from just being a strategy of import replacement to a balanced strategy of integrating import replacement with export guidance. The exchange rate now has a fairly large restraining effect on imports. After a transitional period in the Third Five-Year Plan, as China gradually took measures to move from the current import system to one in which there were GATT-permitted tariffs, it became entirely possible to switch to a new pattern in which exception clauses and guarantee clauses regulated imports and the industrial policy guided imports. Following the effect caused by this, the relevant important production elements on the international and domestic markets will link up, the base prices will remain level, and on more than 10 imports the regulatory duty-free certificates and varieties will be loosened. In particular, automobiles, computers, and other industrially finished products will bear the brunt, and this is bound to cause a radical change and a combinatorial adjustment in the national industry. In addition, the good internal environment brought by the breaking away from the "three iron's and one big" and the transformation of management mechanisms will bring a new opportunity for the foreign trade enterprises to form a group economy and play a "faucet" role.

7. Further perfecting China's foreign economic relations and trade legal system and corming mechanisms that restrain trade behavior have become an inevitable demand in the transformation of enterprise mechanisms. Since the beginning of reform and opening up to the outside world, there have been very great successes in the construction of China's legal system for foreign economic relations and trade, and China has signed more than 100 international economic relations and trade treaties. However, the concept of an overall legal system is weak, and an atmosphere of depending on the legal system to restrain economic behavior and administrative behavior has not yet been formed. The phenomenon of laws on the books not being abided by is still very serious. China's legislation on direct investment by foreign businessmen and its legislation on protection of intellectual property rights have basically been formed into a legal system, but a complete set of laws and regulations has not been perfected, and their content is neither sound nor strict. A raising of the consciousness of all society on the level and scope of production is urgently needed, and therefore we await the deepening of reform.

8. The transformation of enterprise mechanisms and the increase in direct foreign exchange earnings require the Bank of China to flexibly adjust its trust investment, so that the trust principle of "whoever gets good returns on export foreign exchange earnings is the one who pays" is better implemented. The Bank of China must, on the basis of further emancipation of the mind, study the



important points of function transformation and complete-set reform; conscientiously change the trust control system; break the "one big pot" in the foreign trade enterprises' use of funds; strengthen their sense of responsibility in using funds and effectively form mechanisms for increasing profits and for restraining behavior; promote the transition to enterprises of a true nature; and, on the basis of making sound and perfecting markets for the important production elements, push the foreign trade enterprises toward markets and form markets for all important production elements. We must study how to solve the current problem in trusts of the "two-hand position," strengthen the relationship between trusts and international account-settling departments, deepen the reform in settling accounts, vigorously promote the pledge-exchange profession and the purchase-cutoff profession in which there is no right to make insistent demands for payment, and help the foreign trade enterprises to accelerate their funds turnover and to improve their results in making use of their funds.

## II. Basic Ways of Thinking for Deepening Reform of Foreign Trade System

The foreign trade management and the foreign trade system now in effect in China were formed under conditions of a specific historical background, and without a doubt they play a big role in increasing export foreign exchange earnings and balancing the state's foreign exchange revenue and expenditure. Following the development of the planned commodity economy, especially the internal transformation of the management mechanisms of export-producing enterprises and the external step-by-step signing of GATT, the base prices of raw materials and commodities in China were linked to the international market, and in the existing foreign trade system, with its strong administrative flavor, there gradually appeared many drawbacks and unsuitabilities. By putting into effect self-responsibility for profits and losses, the state cast off its burden of financial subsidies, but there was no change in its mechanisms and in its management style of "one big pot." The fundamental point of the reform of the foreign trade system is that there should be set up a flexible, highly efficient mechanism that domestically suits China's national conditions and that externally conforms to international practice. On the basis of this guiding idea, and in view of the important position of the foreign trade system in the national economy and its characteristic of being systematic and complex, the further deepening of the reform can be done on three levels.

First level: Continue to perfect the contracted management responsibility system and deepen the reform in the new system of self-responsibility for profits and losses; smooth out and coordinate well the relationships between industry and trade, between the higher and lower levels; weaken the practice of managing foreign trade with administrative measures; and replace them with economic and even legal restraining mechanisms and measures; adjust and correct some unreasonable rules and regulations in the

operation of existing mechanisms; and do good early-stage preparatory work for the further deepening of the reform of the foreign trade system.

(1) Reform and perfect the foreign trade contracted management responsibility system, and reform well the new system of self-responsibility for profits and losses. We must conscientiously implement the contract plans, put our focus on perfecting the restraining mechanisms and on forming returns-growth mechanisms, and increase export foreign exchange earnings.

(2) Smooth out the relationship between industry and trade; enhance cooperation in the division of work; vigorously initiate internationalized, group-like, businesslike management; and set up a multiform, integrated system of industry, agriculture, technology, and trade. In the present stage we must put the focus of our work on smoothing out the relationship between industry and trade and on enhancing cooperation in the division of work. Foreign trade enterprises must display their superiorities in being familiar with international market information and with marketing channels and networks, do good work in guiding export-producing enterprises, enhance the "transparency" of prices and costs, distribute interests well, and enhance the production of producing enterprises and the reserve strength of export foreign exchange earnings. Export-producing enterprises will display their superiorities in the organization of production, in technological equipment, and in the development of new products; and will focus their attention on improving the products' add-on value and technological content. On this basis they are to effect in all directions internationalized, group-like, and businesslike management, and gradually push the enterprises toward domestic and international markets.

(3) While increasing export foreign exchange earnings, take practical measures to gradually digest old losses and prevent new losses, and reduce the irrational phenomena of owing drawbacks and of allocations to repay debts putting pressure on funds. The Bank of China must flexibly apply the "three no's" policy and the interest rate policy, and spur the enterprises to enhance their concept of results.

(4) Smooth out the relationship between the higher and lower levels; weaken administrative measures and control methods, and replace them with economic and legal measures. Promote the establishment of mechanisms that guide export by means of the industrial policy and that use measures of adjustment that make tariffs primary. Use economic levers to do good work in foreign trade management and in export foreign exchange earnings. The current method of taking from who have too much and giving to those who have too little plays a certain role in devising good overall strategies, but this method, which appraises with strong administrative measures, adversely affects the enthusiasm of silk companies and prefectural and county foreign trade companies. This problem awaits study for improvement.

(5) Improve the methods for controlling licenses and quotas. Now, the EEC, America, and Canada impose quota restrictions on our textile goods, and fix the categories and varieties. Therefore, the quotas in the restricted categories should specify a sufficient amount within a prescribed time limit, thereby cutting down on unnecessary delays and waste. Gradually eliminate administrative distribution measures, and replace them with the competitive measure of inviting tenders. We must be good, within the existing quota range, at managing more high-priced varieties, gradually eliminating products that are low-priced and that account for fairly many quotas and strengthening macro coordination.

(6) Further make sound the important production elements markets, enhance the building of money markets, continue to perfect foreign exchange regulation markets, and create conditions for setting up controlled floating exchange rate mechanisms and for thoroughly transforming the management mechanisms of foreign trade enterprises.

(7) Based on the different natures of economic regions and the different characteristics and degree of economic development, while simplifying administration and delegating authority, flexibly adopt different foreign trade policies, do not practice arbitrary uniformity, truly implement the principle of making one industry primary and of diversifying, and enhance the vigor of prefectural and county foreign trade, especially the vigor of foreign trade in backward areas.

Second level: With labor personnel distribution as the breakthrough point, thoroughly transform the management mechanisms of foreign trade enterprises, in an overall manner arouse the production enthusiasm and the subjective dynamism of foreign economic relations and trade personnel, streamline organizations and improve efficiency, and effect a completely businesslike management. Internally, strengthen the macro regulation and control capability; externally, strengthen the adaptability for and the ability to meet emergencies with regard to market changes.

(1) Break the "three iron's and one big"; promote the seeking of development by foreign trade enterprises at all levels amid reform and competition; and push forward the mechanisms for self-initiative management, self-responsibility for profits and losses, self-development, and self-restraint. The enterprises are to enjoy the right to take the initiative in organizational facilities, cadre appointments, labor use, wage distribution, and financial management. The enterprises' original system for choosing personnel and their original method of distribution were to gradually implement the all-personnel labor contract system, and achieve a situation in which the cadres could go up or down, the staff and workers could come or go, and wages could be high or low.

(2) Separate the functions of government and enterprise, transfer to lower levels management jurisdiction, and change management functions. The key to deepening the reform of foreign trade enterprises is to transform the enterprise management functions. For this reason, the Ministry of Foreign Economic Relations and Trade and the provincial foreign economic relations and trade commissions must change functions, simplify administration and delegate authority, strengthen macro management, and, to the greatest extent possible, reduce administrative interference in enterprise management activities. At the same time, we must change the organizational work style and raise the consciousness of service, integrating them with the streamlining of the organization and with raising the work standard and administrative efficiency, so that the enterprises truly are set in motion and, in accordance with their development goals and their interests, fully exercise their initiative and truly achieve self-initiative management. With regard to restraint on and supervision of micro trade behavior, as well as the implementation of macro foreign trade policies, we can, through economic measures and legal measures, indirectly effect regulation and control.

(3) Break away from the idea of exclusive management in foreign trade and establish the concept of greater foreign trade. Form a diversified import and export framework of specialized companies, industry-trade companies, local trading companies, planned single-line markets, economically developed cities and coastal open cities, large- and medium-sized enterprises with import and export rights, and joint ventures that are either partially or wholly foreign-owned. Implement multilevel, multichannel omnidirectional management; develop trade-industry, trade-commerce, trade-technology, trade-agriculture, trade-trade, and many other forms of integrated bodies; strengthen the integration of foreign trade, foreign economic relations, and foreign capital; and improve China's total national strength and its foreign competition strength.

(4) Reform well the forming of comprehensive complete sets, and try hard to form a macro environment advantageous to the transformation of foreign trade mechanisms in order to create conditions for deepening the reform of the system.

Third level: With the obtaining of the legal position of the original GATT signatory nations as the turning point, grasping the new opportunity brought by changes in the national industry and adjustments in the industrial product mix, and with foreign trade as the "faucet," make trade, industry, agriculture, and technology one organic whole; rapidly form enterprise groups of various natures and types; and make an overall improvement in China's participation rate and competitive strength in international trade affairs, and set up flexible, highly efficient mechanisms that suit both China's national condition and international practice.

(1) Study and search for a mid- and long-term development strategy for China's foreign economic relations and trade. Following China's obtaining of the legal position of the original GATT signatory nations, its participation in international trade multilateral cooperation systems will not be far away. The formation of the EEC and the U.S.-Canada Economic Zone and other trade barriers forces us, in exception and restriction clauses, to find new ways to participate in international trade affairs, and, while reducing tariffs in a limited way, obtain the treatment and rights of a developing country. Therefore, it is necessary to enhance the development strategy in international economic relations and trade, and, based on the new characteristics of different periods and different stages, study the taking of corresponding measures and countermeasures. We must be good at making use of the unbalanced and mutually independent characteristics in international trade affairs. After attaining the basic goals in China's export-guidance strategy and import-replacement strategy, we must strengthen the study of a strategy for balanced development and attach importance to the effect of the import mix. On this basis, we must study the development characteristics in different provinces and different economic regions, reduce internal consumption, unite and unify foreign relations, and form China's superiorities in export.

(2) With adjustment of the industrial product mix as the foundation, conscientiously adjust the export commodity mix. The integration of the two major factors—domestic and international—will impel a large number of enterprises to close, suspend operations, merge, or retool; and there will be formed new combinations, new distributions, and new concentrations of resources and important production elements. The industrial structure will be gradually improved in the sequence from natural resources intensive, labor intensive, and capital intensive to technological know-how intensive, so that the industrial structure will be constantly upgraded. Through adjusting the combination and optimization of the industrial structure, and bringing along the adjustment and upgrading of the export commodity mix, we can also draw support from related effects to spur the development of "upper and lower reaches" industry and intermediate products.

(3) In all directions open up international markets, and strive to expand export foreign exchange earnings. While continuing to consolidate and develop the traditional export markets of Japan, Hong Kong and Macao, and Western Europe, we must vigorously develop periphery trade. We must also focus on opening up markets in the Soviet Far East, Middle East, South and North America, and Southeast Asia. Gradually set up a global international information network, sales promotion network, funds and technology importation network, and economic cooperation network that suits China's opening up to the outside world and accelerates the pace of China's march toward the world.

(4) Deepen the reform of the foreign economic relations and trade system, in an appropriate measure import the stock system and give play to its special role in transforming foreign trade management mechanisms, and take the path of forming enterprises into groups. In the Eighth Five-Year Plan period, the important parts of the reform of China's foreign trade system are equal competition, self-initiative management, self-responsibility for profits and losses, integration of industry and trade, unite and unify external relations, and the promotion of the proxy system. At the same time we must give more support and encouragement to large- and medium-sized producing enterprises and enterprise groups that both need to and can engage in export by themselves, and push them toward competitive development on the international market. China now has the problems of loss of balance in product mix, weak competitive force abroad, and excessively high exchange conversion costs. Amid the increasingly fierce international competition, if we want to effectively open up the international market and guarantee that we get a certain share of it, the realistic choice can only be to form large large, export-oriented enterprise groups, and integrate the talented persons, scientific research, funds, marketing channels, and information networks of interrelated enterprises, so that the enterprises, under present circumstances, form an integral force that vigorously participates in competition on the international market. In the way and process of this formation, we must attach importance to and introduce the stock system in the transformation of the foreign trade enterprise mechanisms, and effect a one-time transformation of the management mechanisms of the foreign trade enterprises and the large enterprise groups. With regard to these questions, we must better emancipate our minds and, from long-range consideration for the development of China's foreign trade, separate the ownership rights and the use rights of state-owned property, so that we can establish flexible, highly efficient trade mechanisms that suit both China's national condition and international practice.

## LABOR

### Labor Dispute Cases, Use of Mediation Increase 93P30016A

[Editorial Report] Labor dispute cases have increased in recent years, according to a front-page article in the 9 November 1992 Beijing GONGREN RIBAO in Chinese. In 1987, cases of labor disputes in foreign-invested enterprises, privately-run enterprises, and urban and rural collectives totalled 98; in 1990, 1297 cases were handled. Class action suits over labor disputes increased from 85 to 419 over the same period. Ninety-two percent of these cases were resolved by mediation, eight percent by adjudication, and appeals were made in two percent of the cases. Worker litigants won 38 percent of the cases, management litigants won 36 percent, and partial settlements for both sides constituted 26 percent.

The article reports that labor disputes have encompassed issues "arising with the development of reform and opening up," such as the elimination of worker contracts, dismissals, resignations, work time, work compensation, female workers, and worker safety. However, since cases involving labor disputes actually fell eight percent in the first half of 1992 as compared with 1991,

the article concludes that "the increased pace of reform indeed has not escalated the number of cases." The article attributes a six percent increase in management litigant victories—the first time recently they have surpassed worker litigant victories—to a "stronger awareness of the use of law to achieve resolutions" on the part of enterprise management.



### **PAP Commander on Advantages, Disadvantages of Patrols**

93CM0032C Beijing RENMIN WUJING BAO  
[PEOPLE'S ARMED POLICE] in Chinese  
18 Oct 92 p 2

[Article by Zhang Bingsheng (1728 3521 3932), Commander Guangdong People's Armed Police [PAP] Division: "Advantages and Disadvantages of PAP Participation in Armed Patrols to Maintain Public Order"]

[Text] The Guangdong Division's participation in armed patrols to maintain local public order during the past several years shows both advantages and disadvantages from such participation.

#### **Advantages to Participation in Armed Public Order Patrols**

Such patrols expand the influence of the PAP. The image of PAP officers and men as a military force and a civilizing force is brought before the public. They safeguard social order, and they protect the security of the people's lives and property. They conjure up an image of a large number of meritorious individuals such as Che Mengyi, "the protector of Yangcheng"; Zeng Xuanyin, "the hero who defended the law"; and Zhu Guangying, the "marvelous enforcer in the district of so many overseas Chinese" who performed outstanding meritorious deeds. Thus, they expand the influence of the PAP, and increasing the ability of the officers and men to discharge their duties.

Second, such patrols cement relations between PAP units and the public security authorities. The transfer of some PAP troops to take part in armed public order patrols augments the insufficient police powers of the public security organs. Leaders of PAP units that conduct armed public order patrols frequently visit with public security units, solicit their views, and are active in requesting advice and reporting back, thereby harmonizing thinking and concerting action.

Third, the patrols frighten criminals, reducing major crimes. During the first half of 1992 alone, the Guangdong Division sent out the equivalent of 10,000 people and 1,000 vehicles on patrols. Working together with public security organs, they smashed 1,000 criminal gangs and arrested tens of thousands of offenders of all kinds. In the patrolled areas, the crime rate dropped 60 percent for a marked turn for the better in public order.

#### **Disadvantages to Participation in Armed Public Order Patrols**

The first disadvantage of such patrols is that without [three characters indistinct] is total for the units. Some negative factors can [five characters indistinct] deployment.

Much contact with the seamy side of life [five characters indistinct] units (or detachments) is money; when they arrest prostitutes, they are confronted with sex, and

when they arrest smugglers, they are confronted with material goods. In addition, the caliber of some local personnel is poor. Individual officers and men are unconsciously influenced; they are prone to stray.

Second, the patrols hurt units' normal training and control to a certain extent. Large numbers of men take part in the armed public order patrols; very many units are involved. The troops patrol day and night separated from their leaders and discharging their duties independently, making unit control cumbersome and increasing the difficulty of completing training tasks.

Third, the patrols increase vehicle maintenance, fuel, and living expenses.

In view of the foregoing, in order to meet requirements of reform and opening to the outside world and fully complete the task of protecting modernization, I would like to make the following three suggestions:

The equipment and communications gear of patrol units should be updated. At the present time, the equipment and communications gear of patrol units still do not meet the requirements of the job. Numbers of personnel must meet unit needs. Mobile units (or detachments) must both fulfill their temporary duties and take part in and handle emergencies such as travel during the lunar new year, guard duty at trade fairs, rescues and disasters, and crackdowns on car thieves and highway robbers. The number of troops in mobile units must be increased so as to be able to ensure fulfillment of duty assignments. The timing and methods of public order patrols should be further improved. On timing, they should only be used for important crackdowns or during major holidays, and not for too long periods of time. In the performance of their duties, both organizations consisting of only people's armed police and organizations consisting of a mixture of people's armed police and public security cadres and police may be used. In the way they perform their duties, both armed and plain clothes personnel, and stationary and mobile personnel should be used. In areas in which few cases occur and public order is good, the dispatch of troops for control suffices. In high crime areas, overwhelming strength should be concentrated for attacks along many avenues making it difficult for criminals to figure out the modus operandi of duty personnel.

### **Naval Command Academy Director Stresses Talent**

93CM0026A Beijing JIANCHUAN ZHIHSHI [NAVAL AND MERCHANT SHIPS] in Chinese  
No 8, 8 Aug 92 pp 2-3

[Article by Zhang Zenan (1728 3419 0589): "Rear Admiral Li Dingwen (2621 7844 2429), Director of the Naval Command Academy, Speaks of the Chinese Navy's Highest Institution of Higher Learning"]

[Text] In May of 1992, the Naval Command Academy celebrated its 40th birthday. In these 40 years, 10,045 cadets graduated from the academy, and 250 officers of the rank of lieutenant commander and above have gone

forth from here to the high seas. Under an honorary tablet, inscribed by the chairman of the Military Commission, Jiang Zemin (3068 3419 3046), with the words "Naval Command Academy," this reporter met Rear Admiral Li Dingwen, director of the Chinese Navy's highest institution of higher learning. The admiral began to speak in a very informal way about the past, present, and future of the academy.

### **The Six Name Changes of This Highest Institution of Higher Learning**

Speaking of the history of the naval command academy, Director Li said, the forerunner to the academy was the Naval Department of the PLA's Academy of Military Science. Early in the 1950's, with the establishment and development of various levels of command positions in the People's Navy, development of the various arms of the services, and of a logistic support force, the training of medium- and high-ranking officers became an important task that had to be attended to with some urgency. The leading organ of the navy, therefore, proposed in 1952 to establish a naval department in the military academy. On 16 May 1952, the Military Commission of the Central Committee approved the establishment of the said naval department. On 30 May, a solemn school opening ceremony was held at Nanjing. Marshall Liu Bocheng [0491 0130 2110], director of the Military Academy, attached great importance to instruction and training at the naval department, and under his patronage and guidance, and with the help of Soviet Russian experts and the hard work of teaching and research personnel, instructions at the naval department quickly got on the right track. In the course of five years, over 300 medium- and high-ranking naval officers had studied and taken advanced courses at this department.

To meet the needs of the naval buildup and development, the Military Commission of the Central Committee acceded to the request of Marshall Liu Bocheng and decided on 8 October 1957, to expand the institution, however, basing on the then existing naval department, into a Military Academy of the Navy, with deputy commander of the navy Fang Qiang [2455 1730] concurrently assuming the posts of director and party secretary. After a short time, the institution was renamed Naval Academy. During the "Great Cultural Revolution," the academy was closed down in December of 1969. On 8 December 1974, the academy reopened under the new name of Military and Political Cadre School of the Navy. On 1 January 1978, it was again renamed Naval Academy, and in November of 1986 it was finally named Naval Command Academy.

### **Training Qualified Naval Officers To Meet the Needs of Modern Warfare**

Speaking of the educational reform at the naval academy in recent years, director Li said, our attention was focusing strictly on modern warfare, and while closely heeding the world's military science and technology, we

have been most energetically training highly qualified naval officers with a good knowledge of modern warfare.

As to specializations, the academy has four disciplines, naval warfare command, combined naval tactics, naval air force command, and naval logistics command. In the organization of its curricula, the academy focuses on the future development of equipment and on the needs of modernizing the navy. It has newly designed the scholastic content and the requirements for those cadets going in for medium and high-ranking command positions in the navy, and compiled a new study outline and complete sets of teaching materials on military affairs for the various specialized courses. The initial curriculum is divided into 53 subjects in 79 courses. The academy has instituted such basic courses as "military theory," "modern naval equipment," "principles of operational naval strategy," and such new courses as "naval command science," and "electronic countermeasures by naval vessels." It has instituted some 20 courses for advanced studies, such as on military economics, military psychology, and the study of foreign military science. As a result, the academy has initially established a new curriculum and set of teaching materials of high standards, very up-to-date content, suited to attaining the training objectives and well reflecting the special characteristics of naval requirements.

As to the method of instruction, the academy follows the principle of "teaching well is to be main concern, studying well is to be main subject." It stresses raising the ability of the cadets to scientifically control and train composite naval formations, to map out strategy, and command the various arms of the service in the navy in actual warfare, and the ability to conduct studies in military science. Since 1988, the academy holds annual joint battle and tactical exercises for cadets in the graduating class, to temper and improve their ability to apply all their acquired knowledge. As to the teaching equipment and means of instruction, the academy has already advanced from the use of common audio-visual aids and hand-moved sand table exercises of the olden days to the use of modern means of instruction, such as electronic equipment and computerized simulations. The academy has established, on an initial scale, a training center with warfare simulation, a books and periodicals resources center, an electronic teaching center, a research center for research fellows, and various other facilities for special studies. The center for naval warfare training with simulating equipment, to which Liu Huaqing [0491 5478 3237], vice chairman of the Military Commission, had presented a dedicatory inscription, is China's first large-scale, multifunctional training system for naval warfare with simulating equipment of advanced international standards. The comprehensive computer of the said system, with its modern high-tech facilities of an information network, graphic display, sequence control, magnitude and quality correction devices, man-machine exchange devices, and artificial intelligence not only offers the capability to affirm study subjects, assist in command decisions, clarify the battle situation, handle

information, control command over military strength, disseminate information, evaluate combat results, the replay of the course of battles, and the capability of simulating to different scales the course of combined combat of different services of the navy, but also shows all these faculties in a synchronous display of sound, optics, electric action, graphics, and numerical data. The 14 positions of the system can be used separately or in combination. It can suitably be used in the training in battle and tactical operations at different levels and at different stages. It can outline as objectives formations of over 100 groups of ships or aircraft in movement, and describe over 200 different types of naval vessels, airplanes, and naval forces. Since the installation of the system, it has already been part of large-scale naval combat training and military maneuvers, training 2,800 man-times of medium-and high-ranking officer-cadets, and has achieved over 20 related important scientific research results.

The academy integrates instructions with research; it is thus an instructional center as well as a research center. Since the 1980's, it has on different occasions undertaken research on the British-Argentine war over the Falkland Islands, the United States assault against Libya, naval developments by the year 2000, the oceans and the Chinese navy, the Gulf war, and on "Sun Zi's Art of Warfare." From 1986 on, the academy has completed 54 projects of scientific research, of which 19 received rewards at the national level and at the military level for being items of technologically advanced research and has also been awarded for scientific and technological achievements. With the approval of the State Science and Technology Commission, the academy started in 1986 instructions for a master's degree in military science, instituting the six specializations of military history, naval strategy, naval combat, naval tactics, naval battle command, and command of naval logistics, with more than 20 different research orientations. Up to the present, students have been enrolled for three terms, and over 20 comrades have received the master's degree.

The academy has established a sufficiently large, highly qualified, and comparatively stable contingent of good teachers. Among the present teacher body, 15.6 percent have had a teaching career of over 20 years, 80 percent have undergone actual military training, and almost half of the teachers have been trained in two-level institutions of higher learning, so that every discipline has teachers who are first-class in their fields and of high academic attainment.

#### **Admirals Will Go Forth From Here to the High Seas**

Director Li proudly said, from among the more than 10,000 cadets of the academy, somewhat over 250 have gone forth as officers in leadership positions. Many graduates have taken part and have had command positions in all the well-known activities, such as the naval battle of August 6, the naval engagement east of Chongwu, the salvaging of the sunken "Aha Maru" [7093 3134 0029], and the first trial firing of a carrier

rocket in the South Pacific. They also took part in the visit of Chinese naval vessels to other countries, in the first exploration of the Antarctic, and in such important activities as the recovery of the Paracel Islands and the naval engagement to protect the Spratly Islands.

A sixth term basic training cadet, Kong Zhaonian [1313 3564 1628], when later appointed deputy commander of the Shantou [Swatow] marine police district, resolutely commanded torpedo boats and escort vessels and achieved a great victory in sinking two enemy vessels, the "Jianmen" and the "Zhangjiang." Then there was also the deputy chief of a certain torpedo boat squadron, an 11th term basic training cadet Zhang Yimin [1728 6654 3046], who on 13 November 1965 in the naval engagement east of Chongwu commanded the third assault group and torpedoed and sunk the enemy vessel "Yongchang." He was successful in sinking one vessel and damaging one vessel.

In May of 1980, a huge Chinese naval task force moved for the first time into the vast Pacific Ocean. It was a task force despatched by the Chinese Navy to safeguard the firing of a carrier rocket in a specified area of the Pacific. Deputy commander of the navy Yang Guoyu [2799 0948 1342], a cadet of the higher accelerated commander training course during its second term, held the post of deputy commander of the task force, and Nie Kuiju [5119 1145 5112], a cadet of the submarine class and commander of the Yulin base, held the post of deputy commander of the task force. Chen Dehong [7115 1795 7703], deputy chief of the operational department in the office of the commander of the navy, a cadet of the 11th term of the basic training class, held the post of deputy chief of staff of the task force. On 27 September 1988, the Chinese guided missile nuclear submarine fired underwater a carrier rocket with excellent success. Both the mentioned test firings were participated in by:

Sun Darong [1327 6613 2837], a cadet of the second term of the higher commander training class; Liu Honglu [0491 3163 7120], a cadet of the submarine training class; Liu Zuo [0491 1563], a cadet of the third term of the higher accelerated commander training class; Yang Zhen [2799 3791], a cadet of the first term of the higher commander training class.

During the first Antarctic exploration, from 20 November 1984 to 10 April of the following year, deputy director of the State Oceanography Bureau, Chen Dehong, was commander in chief of the task force; chief of staff of the Lushun base, Zhao Guochen [6392 0948 5256], cadet of the fifth term of the composite commander training class, and advisor to the Donghai branch of the State Oceanography Bureau, Dong Wanyin [5515 8001 6892], cadet of the fifth term of the basic training class, were deputy commanders. In 1988, during the activities of establishing an observation post on the Spratly Islands, Wang Shi'en [3769 0013 1869], cadet of the first term of the naval vessel commander training class, was in charge of the task of exploring the location for the observation post; deputy chief of staff of the

Yulin base, Xu Zhenzhong [1776 2182 0022], a cadet of the fifth term of the composite commander training class, and deputy commander of the Guangzhou base Ma Fucai [7456 1381 2088], a cadet of the second term of the higher commander training class, were one after the other commanders in chief for the establishment of the observation post, protecting the inviolability of the motherland's sovereignty over its territorial waters.

Finally, director Li said, full of hope and expectations, all the work that we have so far done is only the foundation. We hope our academy will be like a fertile ground, providing favorable conditions for our cadets to soon become skilled professionals who will make a name for themselves on the vast oceans.



## NORTHWEST REGION

### Major Water Supply Project Underway for Xian

93CM0052A Xian SHAANXI RIBAO in Chinese  
20 Oct 92 p 5

[Article: "A Magnificent Project Whereby Present Generation Creates Prosperity For Posterity—A Brief Introduction to the Xian Hei He Water Diversion Project"]

[Text] Xian's Hei He water diversion project is a large urban water supply project that is being built for the purpose of remedying Xian City's serious water shortage, to support the people's livelihood, and to invigorate Xian's economy.

The Hei He rises in the National Taibai Shan Natural Preserve of the Tai Range in Zhouzhi County, Xian. Its basin covers a 2,258 square kilometer area, and its main stream is 125 kilometers long. A hundred streams converge to form the river. The basin above Gukou covers 1,481 kilometers of a densely forested high mountain area where water is plentiful, unpolluted, and of superb quality. Annual runoff averages 170 million cubic meters. Heigukou lies 80 kilometers from and 110 meters higher than urban Xian. The difference in elevation can be used to deliver the water by gravity. In addition, 60 kilometers west of the Hei He lies the Shitou He Reservoir in Meixian County. The Shitou He likewise rises in the Tailing Range. Its crystal clear waters provide a back-up surface water source for Xian City. Its inclusion in the Hei He water diversion project greatly augments the entire water diversion project's water supply.

The Hei He water diversion project's main purpose is to provide water for Xian. It is also a large multi-purpose water supply project that impounds water to prevent flooding, to irrigate farmland, and to generate electric power. It is a key provincial and city construction project included in the state's Eighth Five-Year Plan. Once built, it will provide 1.1 million tons of water daily, 1.5 times Xian's current water supply capability. This will pretty much satisfy Xian's water needs during the early 21st century.

The Hei He water diversion project is made up of five main parts as follows: 1. the water conservancy hub. A 130 meter high dam having a capacity of 200 million cubic meters is to be built across the river in the Jinpen Gorge, 1 1/2 kilometers inside Heigukou. Principal structures include a water diversion tunnel, a flood-discharge tunnel, a spillway tunnel, and a hydropower station. This project will provide Xian an average 305 million cubic meters of water a year, or 800,000 tons a day, and 123 million cubic meters of water for irrigation. It will also generate 65 million kwh of electricity annually. In addition, it will reduce flooding of the Hei He River from once every 10 years to once every 100 years. 2. the urban water supply conduit. A 112 kilometer long water supply conduit is to be built that runs from the main eastern channel of the Shitou He in Meixian County along the

foot of North Mountain in the Tai Range past Heigukou to the Qujiangchi Waterworks in the southern suburbs of Xian. This includes a 14.3 kilometer long twin underground conduit running between the Qujiangchi water purification plant and the Fudian collecting pond in Chang'an County, which has already been built. The 72 kilometer long water conduit running between Fudian and Heigukou in Zhouzhi County can deliver 14 cubic meters of water per second. The 36.4 kilometer long main eastern water supply conduit running between Heigukou and Meixian County can deliver 5 cubic meters of water per second. 3. Construction of a water purification plant. A modern water purification plant—the Qujiangchi Water Purification Plant—having a 600,000 ton per day water purification capacity has been built at Jiangchipan in the southern suburbs of Xian and is already in use. This plant includes four water purifiers, and filtering, chlorination, and chemical delivery equipment imported from France. Later on this water purification plant is to be enlarged to handle 800,000 tons of water per day, and another 300,000 ton per day water purification plant will have to be built as well. 4. An urban feeder pipeline network. Three 2-meter diameter water supply conduits from the Qujiangchi Water Purification Plant to the city, as well as branch lines and feeder lines will have to be laid in a 121 kilometer long network. In addition, a 7.8 kilometer long overflow water conduit is to be laid from the Qujiang Water Plant to the city moat to increase the amount of water flowing through the city for the purpose of beautifying and purifying the natural urban environment. 5. A farmland irrigation project. This project consists primarily of the renovation of the Hei He Huiqu and Tiangu irrigation systems, expanding from 140,000 mu to 370,000 mu the irrigation area in Zhouzhi and Huxian counties.

The estimated investment required for the Hei He water diversion project is 1.53 billion yuan, the entire project to be completed during the Ninth 5-Year Plan. In addition to the already completed 200 million yuan and temporarily delayed 100 million yuan worth of farm irrigation-associated projects, an additional 1.23 billion yuan investment will be required. This includes 570 million yuan for the water conservancy hub, 400 million yuan for the water supply conduit project, 130 million yuan for the urban feeder network, and 130 million yuan for the expansion of the Qujiangchi Waterworks and construction of a new waterworks.

Work on the Hei He water diversion project is to be done in two steps. During the first step, the entire water supply conduit and the 600,000 ton per day capacity Qujiangchi Water Purification Plant single phase, single stage projects, as well as 40 kilometers of the urban water pipeline network are to be built in 1994. Water diverted from the Shitou He Reservoir in Meixian County and Hei He runoff will increase Xian's water supply by 300,000 tons daily. Ground was broken for the Hei He water diversion project in August 1987, and after nearly five years of construction, the Qujiang Waterworks now has a 600,000 tons per day water purification capacity.

Work has also been completed on the 23 kilometer long underground water supply conduit running from the Shibian Reservoir to the Qujiang Waterworks, as well as on the main water supply pipeline running from the Qujiang Waterworks to the city and the overflow water line. Water from the Shibiangu Reservoir is being delivered to the city. In the second step, the Hei He Jinpen water conservancy hub and purification plant, as well as the urban water supply network are to be completed during the Ninth Five-Year Plan in ultimate attainment of the objective of supplying the city with 1.1 million tons of water per day.

### Call for Xinjiang To Link With Coastal Provinces

93CM0055A Urumqi XINJIANG RIBAO in Chinese  
25-30 Sep 92

[Two-part series by correspondent Ma Chiye (7456 7459 6851), and reporters Shao Boheng (6730 2672 1854) and Yuan Jinliang (5913 6930 5328): "Call for Ties to the East (1)"]

[25 Sep 92 p 2]

[Text] People may remember that several years ago some knowledgeable people in the autonomous region predicted that the great tide of reform and opening to the outside world was on the way.

Today's events have confirmed this prediction.

With the advent of the 1990's, all of Xinjiang has been rapidly enveloped in the nationwide unified market during the sudden surge of reform and opening to the outside world. All exclusionary and protectionist policies have been declared obsolete.

Strength has been accumulating for a long time for the launching of an all-out offensive for the purpose of getting the now expanding sophisticated enterprises of inland and coastal developed areas to come to the Xinjiang market, which offers enormous potential.

For a time, Xinjiang became a ring in which goods from all over vied with each other. Although this was a good thing, it also stirred apprehensions.

Large and small print media in the autonomous region busily accepted advertisers from inland China. The streets and markets constantly held all sorts of extremely enticing sales activities offering prizes that were organized by inland concerns.

Some inland enterprises interested in winning first prize did not even flinch from investing capital for an onslaught on the Xinjiang market. One powerful large Hebei farm machinery manufacturing firm that produces 300,000 tractors a year swore to obligate one-third of its production to Xinjiang. Even if it did not make a profit, it wanted to open up and take over the north-western market. During the first half of 1992, the

October Tractor Plant in Xinjiang, which had always been very prosperous, was snuffed out by this aggressive inland enterprise.

Clearly, numerous Xinjiang enterprises have been drawn into an unevenly matched, unwinnable contest of strength in spite of themselves. The direct result has been a widespread slide in the economic returns of the autonomous region's industrial enterprises, and losses that are 4.6 percentage points higher than for the country as a whole. As of the first half of 1992, the profits of just industrial enterprises within budget were 27.74 million yuan less than during the same period in 1991 for a 24.88 percent drop. The autonomous region's textile industry, which has always provided the region with enormous profits and taxes, has experienced unprecedented losses among all mills.

The powerful external impact has thoroughly exposed the inferiority and weakness, the technical backwardness, the antiquated equipment, the poor management, the lack of product diversification, and the overly small size of Xinjiang's enterprises, which can no longer be concealed.

Some people in the economics and business enterprise fields, who went to inland and coastal areas to take a look around and gain experience in order to extricate Xinjiang from its difficulties, said with astonishment after returning: Most of Xinjiang's enterprises are 10 to 20 years behind advanced enterprises in inland and coastal areas.

This is an embarrassing conclusion. The enterprises in Xinjiang that have long enjoyed protectionist policies and a risk-free life, the enterprises that beam with satisfaction at having been awarded several medals or cups in national contests, and the enterprises that have been blindly optimistic as a result of their advantage in owning abundant resources of one kind or another now have to acknowledge that the adversaries they are facing today are powerful and competitive, particularly the ones from developed coastal areas. After more than a decade of immersion in a policy of making giant strides in reform and opening to the outside world, and as a result of the large scale introduction and assimilation of advanced foreign technology and capital for the technological transformation and updating of traditional industry and skills, the developed coastal areas, in particular, have rapidly become powerful competitors at the world standard of the late 1980's and early 1990's. Many industries in Xinjiang have yet to become highly concerned on this account, however; some of them are still just drifting along. Each year most of the technological transformation projects that the autonomous region economic commission lists are pigeonholed because of a lack of interested enterprises, and another substantial number of enterprises are content with being able to increase output value by two decimal places each year. They are unaware that the products of many enterprises in Xinjiang are sold as a result of protectionist measures. When we visited the work site of a Xinjiang cement plant

expansion project not long ago, I remember having heard a person in charge at the project headquarters complain that the quality of the goods that some enterprises had supplied the project was very inferior. Work had to be redone on some parts of the project as a result. He said, were it not for instructions from above requiring us to buy local products first, we would really not have wanted to use local products. He really wished he could make them improve!

Today, no matter what reason some of our enterprises give in an effort to defend themselves, they have to admit that they are actually backward, and they have to admit that they have a long way to go in order to compete in the real world.

Since this is the case, what is to be done? Why not rely on the government's building of more barriers for self-protection? This is patently a wild hope that is out of keeping with the times. Earlier this year, in a discussion among Xinjiang plant managers and directors of machinery and electrical appliance enterprises about how to get out of difficulties and hasten the pace of enterprise reform and opening to the outside world, autonomous region deputy chairman Wang Yousan [3769 0645 0005] clearly expressed the attitude of the autonomous region CPC committee and people's government as follows: The passive cycle of backwardness spawning protectionism, which spawns more backwardness in turn cannot be repeated.

Some people propose tax reductions and concessions for enterprises to increase their ability to accumulate, accelerating the pace of technological transformation in this way. This is obviously unrealistic. One might say that tax reductions and concessions would be tantamount to piling one problem atop another for the already financially-strapped autonomous region. Others suggest a realignment of the various elements of production at hand within the autonomous region to build conglomerates. This notion is not feasible because, given the present quality of the autonomous region's enterprises and the lack of name brand products and turnkey enterprises, even the founding of conglomerates would simply be an extension of the present low level. The conglomerates would scarcely be a match for inland concerns of the same kind.

It now appears that "ties to the east" offer the best way out and are imperative as well. If many enterprises in Xinjiang want to get out of difficulties as quickly as possible today and accelerate the pace of their development, simply making the most of advantages and playing down disadvantages will not suffice. Of greater importance is how to solve the problem of learning from others' strengths to remedy one's own weaknesses. For example, although Xinjiang's enterprises hold advantages in resources and land, their backward technology, undiversified products, and low management level make it difficult to translate these potential advantages into reality. No wonder that a responsible official in the Urumqi Municipal Economic Committee said bluntly:

Xinjiang enterprises that do not scruple to prostitute themselves today in order to obtain patronage might better speed up cooperation with developed areas in the east.

Therefore, one might as well not mince words. If Xinjiang's enterprises continue to dither about a strategy of forming ties with the east, and fail to stop doing what they should stop doing, the consequences will be hard to imagine.

Naturally some people also feel that ties to the east are not necessarily the sole choice available for the revitalization of Xinjiang's enterprises inasmuch as the central Asian market provides Xinjiang's enterprises with a rare development opportunity. All we need to do is fix our eyes firmly on and vigorously develop the central Asian market, and Xinjiang's enterprises can break out of their difficulties and move up a new step rapidly. This is an overly rosy view. Xinjiang cannot count on the central Asian market. Analysis of future changes in the central Asian market suggests that only through ties to the east can Xinjiang's enterprises increase their market share in the face of intense competition. Otherwise, the east Asian market will come to be shared by developed enterprises in the developed coastal and inland areas as well as by enterprises in Hong Kong and Taiwan. In the end, Xinjiang's enterprises will bemoan their inadequacy and all will be lost.

Practice already has demonstrated, and will continue to demonstrate, that "ties with the east" are where Xinjiang's hope lies. They offer a realistic and feasible way for Xinjiang to overcome its inferior position, narrow the gap with developed inland and coastal areas, and realize rapid invigoration of its economy.

[30 Sep 92 p 2]

[Text] Despite the many years of effort to maintain its reputation as a big profit maker, ever since 1991 an influential motor vehicle refitting plant in Xinjiang has felt increasingly that it no longer is able to maintain its former glory.

This is because the increasingly competitive motor vehicle market poses an increasingly serious threat to this enterprise. In 1991 alone, this enterprise's profits took a more than 1 million yuan nosedive solely because it was unable to digest steadily rising prices of raw and processed materials.

"If prices of raw and processed materials continue to rise, we will find survival more and more difficult with each passing day," was the heavyhearted statement to the correspondent of a deputy plant manager in the enterprise.

Clearly, this enterprise has unavoidably begun to go downhill. This deputy plant manager believes that the future trend of development of the motor vehicle industry is toward the formation of blocs, higher technology, and product serialization, but that his plant is

continuing to "go it alone" and holding fast to a "small but all inclusive" form of operation, so naturally it is not in tune with the times.

Because of worry over its fate, this enterprise realizes the necessity and the urgency of forging partnerships and working with large motor vehicle conglomerates.

For this reason, the plant manager took the initiative in approaching the China No 1 Motor Vehicle Manufacturing Plant earlier this year to seek a partnership. Aware of this Xinjiang enterprise's sincere and eager desire for a partnership, in July the China No 1 Motor Vehicle Manufacturing Plant sent two deputy plant managers to Xinjiang on a survey trip. Deeply impressed with the management level and technical quality of this enterprise, the two deputy plant managers said as they were about to leave that they felt a partnership was possible.

When this enterprise presented the China No 1 Motor Car Manufacturing Plant partnership proposal to the authorities in charge, the reply it received was disheartening, however: "It is better to be self-reliant."

We find this reply inconceivable. Why did the higher level department in charge of this enterprise adopt such a categorical attitude of refusal toward a subordinate enterprise's partnership idea?

It was found that it stemmed from the crucial matter of earnings distribution. This enterprise was a piece of "fat meat" for the department in charge; it provided the department in charge profits of at least 1 million yuan every year. Just think, if it formed a partnership with the China No 1 Motor Car Manufacturing Plant, would a profit of more than 1 million yuan not be lost!

During a recent trip to Urumqi Prefecture, we encountered quite a few situations similar to this one. Whenever a conflict over the distribution of returns from human, financial, and material resources occurred, ties to the east were extremely likely to run aground. In the minds of leaders of some government departments and enterprises, the idea of holding fast to a small piece of turf and not letting profits drain away stubbornly persists. Not long ago, the leader of a government financial department explained forthrightly as follows: Would we give our children to others after we have reared them? Therefore, until such time as a major breakthrough is made on regional and department ownership matters in ties with the east, ties with the east remains just an ill-informed, wonderful expression.

Furthermore, in the course of our inquiries, we also found a disquieting amount of going back on one's word and forgetting a benefactor just as soon as help is no longer required.

The Urumqi Tire Factory was originally a small plant employing several hundred people that produced mostly ricksha tires. Because of the small market for these tires,

its antiquated equipment, and its backward technology, this enterprise lingered on for a long time in a steadily worsening condition.

In 1984, Shanghai reached an agreement with Xinjiang about providing needed assistance. The Urumqi Tire Plant welcomed this rare opportunity to save itself from ruin. At the behest of the Ministry of Chemical Industry and the request of the autonomous region, in a generous and sincere gesture, the Shanghai Zhengtai Rubber Plant decided to help the tottering Urumqi Tire Plant.

Following discussions between both sides, the Shanghai Zhengtai Rubber Plant invested 2 million yuan, and also provided technical personnel and staff free of charge. The Urumqi Tire Plant was responsible for a 45 million yuan loan. The two signed an agreement for the construction of a production line to produce 100,000 Huili brand tires per year. The Shanghai Zhengtai Rubber Plant was to recover its 2 million yuan investment through profit sharing.

When this agreement was signed, the autonomous region department concerned decided on a policy for exempting the Urumqi Tire Plant from taxation for three years, and should the Urumqi Tire Plant have trouble repaying its loan after the promised three years of tax exemption, it could be exempted from taxes for another three years.

In actual practice, however, the three year tax exemption was figured from the time when the Urumqi Tire Plant's 100,000 per year Huili brand tire production line when into trial production in 1987. Moreover, for other reasons, this production line would not reach designed capacity until 1989. Since the Urumqi Tire Plant could not stand the more than 47 million yuan debt it carried, in 1989 it asked the authorities concerned to honor their promise of another three year exemption from taxation. In a departure from normal practice, the authorities refused, however.

The Urumqi Tire Plant had no choice but to both pay taxes and repay the loan. The enterprise lurched along like an old ox carrying a load. After paying taxes and repaying the loan plus interest, its profits were virtually nil. None of the staff members and workers in the plant received a raise for many years, and they complained to the high heavens.

Even more dishearteningly, after eight years of cooperation with the Urumqi Tire Plant, the Shanghai Zhengtai Tire Plant had recovered only three-fourths of its investment (not including interest). Xinjiang had taken away more than 40 million yuan in taxes and interest. The Shanghai partner was extremely upset about this, and its interest in cooperation cooled for a time. It said that we do not care about whether the 2 million yuan can be repaid post-haste; the problem is that some government departments in Xinjiang do not keep their promises. This is hard to take. Fortunately, in 1992, the autonomous region people's government decided on a tax exemption policy for debt repayment, thereby ending the crisis in cooperation. The experiences in the forging of



ties with the east of the Urumqi Tianshan Dyed Textiles Plant, which suffered from some of the same problems as the Urumqi Tire Plant are also a cause for deep reflection.

This was a multiple-product textile enterprise in Urumqi that earned substantial amounts of foreign exchange. Its cardigans, bed sheets, colored bath towels, woolen sweaters, and colored checked cotton flannel were exported to the United States, Japan, Hong Kong, the Commonwealth of Independent States, and to Arab countries and territories.

In order to help develop the autonomous region's economy and meet market needs, in 1987 the autonomous region decided to invest 27 million yuan for the operation of a 20,000 spindle per year cotton yarn production line in this plant. The autonomous region treasury and the Urumqi municipal government treasury were each responsible for 14 million yuan of the investment loan. At that time, the Urumqi municipal treasury was reportedly hard up; it could provide only 7.78 million yuan. In order to ensure earliest construction of this project, the autonomous region's economic cooperation sector took the initiative in providing 750,000 kilograms of cooperation cotton out of plan, and getting 6 million yuan from a cotton textile plant in Changchun. Thanks to the prompt arrival of the 6 million yuan, the production line went into production on schedule. As the coming on stream of the production line was being celebrated, it came up against the serious effects of the market slump that engulfed the whole country in 1989. Its products did not move, and its returns did not increase; consequently, it was unable to repay the 6 million yuan loan. In order not to lose its credit, the plant had to turn to the authorities concerned for help, but the reply it received was: no money.

Thus, repayment of the 6 million yuan dragged on for more than two years. After countless telephone calls, telegrams, and the dispatch of personnel to press for payment proved fruitless, the Changchun cotton textile plant reported this default to the national government authorities concerned. In 1991, the State Council included this payment in its national debt clearing plan and directed the Urumqi Municipal People's Bank to devise means for repayment. The municipal People's Bank held discussions with the units concerned that produced a solution, namely a 3 million yuan loan from the Urumqi Municipal People's Bank, the municipal treasury paying 2 million of it and the enterprise itself being responsible for 1 million yuan.

Unexpectedly, no sooner had a decision been reached than unexpected complications arose. Pleading inability to pay, the municipal treasury refused to pay the 2 million yuan. In response, the municipal People's Bank likewise said, "If you won't pay, we won't pay either." After being informed, the Changchun cotton textile plant dispatched a party committee secretary personally to Xinjiang to get the money, but this effort failed. On the

eve of his departure, he had only 500,000 yuan to take back that the Urumqi Dyed Textile Plant had gathered from here and there.

Regrettably, 5.5 million yuan of this 6 million yuan loan has yet to be returned to its owner.

Such dropping of one's benefactor once his help is no longer needed certainly hurts the other party, but it also casts a pall over the investment climate in Xinjiang. The two examples cited here will make people think twice and will halt the occurrence of similar situations. It is hoped that the authorities concerned will care about Xinjiang's image and help out with Xinjiang's strategy of forging ties with the east.

### Article Urges Xinjiang To Cast Off Restrictions

93CM0054B Urumqi XINJIANG RIBAO in Chinese  
2 Oct 92 p 4

[Article by Fan Xiaolin (2868 2556 2651): "Feelings About Self-Rule and Self-Restraint"]

[Text] While reading newspapers and magazines recently, I was happy to learn that the Ningxia Autonomous Region has begun a profound reexamination of the correlation between "self-rule" and "self-restriction." As a minority nationalities autonomous area, Ningxia enjoys benefits in the form of legislative authority, authority to establish government agencies, administrative decision making authority, and economic decision making authority that are more lenient and more favorable than for ordinary provinces and municipalities. Generally speaking, the region possesses distinctive advantages in its external conditions for economic development that ordinary provinces and municipalities do not have, so why does its economic development lag relative to that of other provinces and municipalities? The region believes that one of the important reasons is that backward ideas have forged shackles in some regards whereby the advantage of "self-rule" has been turned into "self-restriction." For example, since examination and approval authority for the setting up of government agencies rests in the region's own hands, it has set up more than 100 ministries, commissions, offices, departments, and bureaus that have increased the government's financial burdens. This thicket of government agencies means "red lights" on economic activity hang everywhere. Running an enterprise there is much more difficult than in ordinary provinces and municipalities, causing numerous investors to give up trying. Ningxia's self-questioning attitude is heartening; the spurt that occurs once the region suddenly wakes up will be swift.

So, what about our own Xinjiang? It too is in the northwest, and it too is a minority nationalities autonomous area. We also enjoy legislative authority, the authority to establish government organs, administrative decision making authority, and economic decision making authority, etc. Recently the central government gave us another series of preferential policies. One must

say that our policy environment for intensifying reform, widening the opening to the outside world, and accelerating economic development is quite good, and our possibilities for becoming prosperous and wealthy step by step are also rather great. So, can this possibility be translated into reality?

Lenin said something witty that merits our deep consideration: "Any change is possible. Even a simpleton can change into an intelligent person, but such a change rarely materializes. Therefore, we cannot assume simply on the basis of the 'possibility' for change that the simpleton will not remain a simpleton." (See *Complete Works of Lenin*, Vol 35, p 231). The translation of possibility into reality results from many factors—both subjective factors and objective factors, external factors, and internal factors. Generally speaking, objective factors and external factors are required to promote change, but bringing about such a change also requires reliance on full use of subjective activity, and reliance on the "fundamental" role of "internal factors." A look at the objective conditions for Xinjiang's economic development shows the "external" factors as already in being or, one might say, substantially in being. Its advantages in resources, in land, and policy environment, etc. are distinctive advantages that many inland provinces and regions might endlessly envy. The "internal factors" seem to give no cause for optimism, however. Many units and sectors continue to use the ways of thinking and the ways of working to which they became accustomed over a long period in the past. They work in a rigid and sluggish way. Recently the writer attended a ceremony on the occasion of a Sino-foreign joint venture enterprise going into operation where he heard those in charge of the enterprise tell of how a whole half year was required from the formal signing of the contract until the project went into operation. This half year was consumed in obtaining approvals and official seals from one agency after another. According to a comrade familiar with such matters, this matter was handled extremely expeditiously for Xinjiang. Some projects drag on for two or three years, or finally "fizzle" entirely. One should not be surprised at all about this. Unless this state of affairs changes, what use is there in talking about Xinjiang becoming prosperous and wealthy?

Certainly we still have the opportunity and the possibility of trying hard to catch up. If we do as our Ningxia comrades are doing, we can begin with a profound self-examination, and use the spirit of Comrade Deng Xiaoping's important remarks during his trip to south China for a thorough change of outlook. We can resolve to solve some conspicuous problems in changing the "internal factors," such as taking stock of numerous rules and regulations made in the past, determining which of them no longer suit current economic development needs, and finding out whether individuals in this or that unit or department who wield authority do nothing or use it only to do "nitwit" things that interfere with the development of productivity. If so, can they be prodded or, as was done in Guangdong, simply ousted

and told to go out into the world where they too can experience the hardships of a commodity economy.

Wider autonomy is the essence of "self-rule," but if this autonomy is not used or is used in the wrong places, it can turn into self-restriction; it can turn into countless self-created invisible cords binding one hand and foot. Ningxia's self-examination should serve as an inspiration for us. It should make us want to humbly and candidly learn from others, and to do more subjective thinking about how our backwardness, insulation, and rigidity have come about. Then, the many objective "possibilities" that we enjoy in the form of favorable policies, plentiful resources, and development opportunities may be more greatly and more rapidly transformed into realities. If not, then yet another "possibility" exists, namely that we may wander about never being able to get out of the maze of "self-rule" and "self-restriction," continuing to do half-witted things, "simpletons" continuing to be "simpletons."

#### Commentator Views Lack of Enterprise Autonomy

93CM0054A Urumqi XINJIANG RIBAO in Chinese  
18 Oct 92 p 1

[Editorial by commentator: "Emphasis on Instituting Autonomy in Enterprises—On Study and Implementation of *The Regulations*"]

[Text] The State Council-promulgated "Regulations on Changing the Operating Mechanism in Industrial Enterprises Under Ownership of the Whole People" prescribe, in legal form, 14 operating initiatives of industrial enterprises under ownership of the whole people. One might say that all the rights that enterprises should enjoy are included in the regulations. Right now, the most urgent task is to use study and implementation of *The Regulations* to put into effect these 14 operating initiatives.

How to invigorate large and medium size state-owned enterprises has long been a difficulty we face at the crux of which is lackadaisical administration and a lack of operating autonomy. Long constrained by the highly centralized planned economy, government departments have controlled enterprises too strictly with stifling centralization. In organizing their production, enterprises also do not make decisions on the basis of market changes but according to the will of government departments, which interferes with the development of productivity. It is for this reason that ever since the beginning of the reform of China's urban economic system, the expansion of enterprises operating autonomy has been the point of attack. The plant managers or directors of some large and medium size enterprises have cried out: Unleash the enterprises and delegate authority to them. At the same time, the state has also increased the pace of economic system reform, inaugurating various measures such as delegating authority and making concessions, contracting operations, and separating taxes and profits

as a means of creating conditions for the invigoration of enterprises and the improvement of economic returns.

Nevertheless, the present situation, and particularly comparison of the present situation with the spirit of *The Regulations*, shows that many of the initiatives of enterprises have not really been put into practice; they fall far short of requirements for progress in reform. We must realize that the extent to which enterprise operating autonomy is implemented is ultimately reflected in the vitality of the enterprise itself. Moreover, by comparison with township and town enterprises and three kinds of partially or wholly foreign-owned enterprises, state-owned enterprises lack vitality. Other reasons aside, this situation stems most fundamentally from township and town enterprises and three kinds of partially or wholly foreign-owned enterprises having full operating autonomy, the enterprises themselves having the power themselves to decide operating policy, business and marketing methods, the personnel assignment system, internal distribution of benefits, and their structural set-up. When the plant manager or director speaks, it counts; they dare to take responsibility. But it is just these very things that state-owned enterprises lack.

The lack of full operating autonomy in state-owned enterprises stems from both the traditional system and the enterprises themselves. Both government functional departments and enterprises must regulate their own behavior. According to *The Regulations* Government departments must follow the principle of "macro-control and micro-decontrol." The change in function must be carried out in tandem with enterprises changing their operating mechanisms, the authority that should be delegated to enterprises delegated to them. Enterprises must also overcome their mentality of relying on the government, speed up the implementation of operating autonomy, transform their operating mechanisms, and orient toward the market.

In implementing operating autonomy, enterprises must emancipate thinking. They must relate operating autonomy to the circumstances in their own enterprise, pay attention to market changes, and thoroughly appreciate the autonomy that *The Regulations* confer on enterprises and the responsibilities and duties that enterprises must assume. Currently some enterprises lack confidence about implementation of *The Regulations*. They suppose that just going through the motions is possible, that autonomy is difficult to put into practice. Such ideas cannot be tolerated. Enterprises must understand that the ones that must put *The Regulations* into practice are the enterprises themselves and not some other department. If enterprises are to enjoy operating autonomy to the full and ultimately orient toward the market, they will have to do it through their own efforts. They cannot depend on government departments to push them into implementing operating autonomy, nor can they hope that government departments will push them to orient toward the market.

Implementation of operating autonomy requires that enterprises go even faster in intensifying internal reform. This is because every one of the 14 initiatives that *The Regulations* stipulate entail a deepening of reform. One might say that any enterprise that is not adept at reform will not use autonomy well even if it is delivered to its door. The implementation of enterprise operating autonomy is closely linked to the intensification of reform.

In putting operating autonomy into practice, reliance must be placed on the rank and file of staff members and workers, and the rank and file must be informed about major operating decisions and reform measures in order to obtain worker support. In this way, the operating authority of the enterprise can be truly used to promote the development of production that increases economic returns. In conjunction with implementation of *The Regulations* we must make the rank and file understand that simultaneous with the bold practice of operating autonomy according to law, enterprises must also use *The Regulations* as a weapon, relying on the law to protect enterprise autonomy.

**Poll on Reaction to Governor's Policy Speech—Part I***93CM0023A Hong Kong MING PAO in Chinese  
11 Oct 92 p 18*

[Special report: "Getting Really Into Action These Last Days, His Support Is Up; Chris Patten Is Graded Almost 70 on His Administrative Report"]

[Excerpt] [Passage omitted] Wednesday of last week, Hong Kong Governor Chris Patten gave his first administrative report and proposed a series of reforms to be carried out in the political system. A spokesman for the Hong Kong Branch of the New China News Agency gave out a statement the same day, in which he criticized and attacked the governor for onesidedly publishing his suggested plan for the 1995 elections to the Legislative Council, considering this a most irresponsible action. The next day, spokesmen for the Chinese Ministry of Foreign Affairs and for the Hong Kong-Macao Affairs Bureau of the State Council followed up by fiercely attacking the Hong Kong governor's administrative report.

Against this kind of a background, this publication commissioned the "Hong Kong Statistical and Commercial Research Society" last week Friday to obtain a clearer understanding, by means of telephone interviews, of the reaction of Hong Kong residents to the administrative report.

First of all, the interviewer asked the interviewee to grade the governor's administrative report, taking 1 as the lowest and 100 as the highest mark, and 50 to be considered a passing grade. Against 616 successful interviews, only 23 persons refused the grading, while over 90 percent graded the report 50 or above. The average grade that the governor's first administrative report got was 67.92 (for details see table 1).

Among the interviewees, who were of different income categories, the higher the income, the higher the grades that were awarded. The average grade awarded by interviewees whose average monthly income was below H.K.\$5,000 was 61.88, but in the case of interviewees whose monthly incomes were over \$20,000 the average grade was as high as 76.33 (for details see table 2).

The survey also revealed that among the interviewees, who were of different age groups, those who gave highest praise to the administrative report were persons between the ages of 41 and 50 (for details see table 3).

Since publication of the administrative report, the sharpest criticism and attack from the Chinese side was

directed against the plan of reforming the political system, as suggested in the report. In its statement, the Hong Kong-Macao Affairs Commission hinted in very strong terms that if the governor will willfully go ahead and implement his plan for the 1995 elections, the Chinese side will abrogate such measures in 1997. In other words, he will not be able to achieve his objective of "railroading" his political system through.

In the present public opinion poll, this newspaper also asked the interviewees: "If the Chinese side opposes the governor's 1995 Legislative Council election plan, should the government, in your opinion, go ahead with it?" Among the 616 interviewees, 412 persons (i.e. almost 67 percent) thought it should still go ahead. Only 89 persons were against going ahead (i.e. about 15 percent), while 18 percent answered "it does not matter" or "I don't know" or "hard to say."

Among the different age groups the ratio of those who answered "should go ahead" to those who answered "should not go ahead," the group of young people showed the greatest disparity to the other groups, displaying an extremely strong attitude (for details see table 4).

The director and general manager of the "Hong Kong Statistical and Commercial Research Society," Hong Qingtian [3163 3237 3944] said, basing our calculations on the above-mentioned results, if all the people of Hong Kong would have voted yesterday as to whether to disregard the Chinese opposition and go ahead with the governor's plan for the 1995 elections to the Legislative Council, the result would be a yes, the government should go ahead, and the votes in favor would have been over four times the number of opposing votes.

He pointed out that his company had held a similar survey on the above-mentioned questions in the evening of last week Wednesday, and the result on that day showed that the ratio of votes in favor of ignoring the Chinese opposition to votes against it was then only 3.5 to 1. That shows that in the last few days, after the governor had personally "gone into battle" and energetically promoted his administrative report, many more citizens support the governor.

The present survey also asked the interviewees to give their latest opinion on the administrative ability of the governor, whether they agree with the governor in publishing his election plan without first consulting with the Chinese side, and whether the governor's plan for reform of the political system will be conducive to bringing about "one country and two systems" and "Hong Kong to be ruled by the residents of Hong Kong." The results of this survey will be published tomorrow.



**Table 1. Grading on Governor Patten's First Administrative Report**

Grades	No of Persons	Percentage of All Interviewees
1-34	8	1.3
35-49	20	3.2
50-64	177	28.7
65-79	229	37.2
80-100	159	25.8
No opinion	23	3.7
Total	616	Average overall grade = 67.82

**Table 2. Grading on the Administrative Report by Income Groups**

Average Monthly Income (in H.K.\$)	Number of Interviewees	Lowest Grade	Highest Grade	Average Grade
Below \$5,000	43	4	80	61.88
\$5,000 to \$9,999	231	7	100	67.37
\$10,000 to \$14,999	82	40	90	68.40
\$15,000 to \$19,999	45	60	100	71.89
Over \$20,000	42	1	100	76.33

**Table 3. Grading on the Administrative Report by Age Groups**

Age Group	Number of Interviewees	Lowest Grade	Highest Grade	Average Grade
18-20	35	40	85	67.46
21-30	182	7	90	65.76
31-40	158	1	100	68.96
41-50	114	30	100	70.29
51-60	55	4	100	67.69
61 or over	49	48	100	66.45

**Table 4. If the Chinese Side Opposes the Hong Kong Governor's Plan for the 1995 Elections to the Legislative Council, Should the Government Go Ahead or Not?**

Age Group	Ratio of Those in Favor to Those Not in Favor
18-20	8.67 to 1
21-30	6.18 to 1
31-40	3.53 to 1
41-50	4.95 to 1
51-60	3.00 to 1
61 or over	3.99 to 1
Overall	4.63 to 1

# **Poll on Reaction to Governor's Policy Speech—Part II**

93CM0023B Hong Kong MING PAO in Chinese  
12 Oct 92 p 2

["Growing Confidence of Citizens in Chris Patten's Administration of Hong Kong—Seventy Percent Agree That Election Proposals Did Not Need Consultation"]

[Excerpt] [Passage omitted] One of the questions asked the interviewees was, "The governor of Hong Kong

broke with usual practice and published his proposal for elections to the Legislative Council without consulting the Chinese side; are you for or against this new diplomatic form of his first publishing his own opinion?"

The result was that of 616 successfully interviewed persons, 420 persons (68.2 percent of all those interviewed) expressed that the governor should act in this manner, and only 95 persons said he should not have done it (for details see table 1).

Even though Chris Patten's administrative report evoked strong adverse reaction from the Chinese side, this criticism did not at all disturb the confidence of the citizen residents in his ability to administer Hong Kong.

During the public opinion poll conducted on Friday last week, the interviewer asked the interviewees: "After the governor of Hong Kong published his administrative report, has this increased, lessened, or made no change in your confidence in his ability to administer Hong Kong?" As a result, 57 percent declared that it had increased their confidence in Chris Patten, and only 3.2 percent declared it had lessened their confidence (for details see table 2).

Chris Patten had pointed out in his administrative report that the administrative objective of the Hong Kong Government is the realization of the "one country, two systems" policy. In the present public opinion poll, this newspaper therefore also asked the interviewees:

"Do you believe that the governor's proposals for reform of the political system are helpful toward realization of the 'one country, two systems' and 'Hong Kong to be ruled by the citizens of Hong Kong' objectives?"

Over 60 percent of the interviewees were of the opinion that the reform of the political system proposed by the governor are helpful for the realization of the "one country, two systems" and "Hong Kong to be administered by the citizens of Hong Kong" objectives, those opposing this view made up not quite 1 percent (for details see table 3).

Dividing the interviewees in categories according to incomes, the ratio of those who agree the proposals would help realize the said two objectives to those who oppose this view was highest in the category of citizens with incomes of over H.K.\$20,000, namely almost 17 to 1. This shows that the groups with higher incomes are very strongly in favor of the proposals (for details see table 4).

**Table 1. Opinion on the "Open Diplomacy Pattern" Adopted by the Hong Kong Governor in His Negotiations With the Chinese Side**

	No of Persons	Ratio among Interviewees
He should do so	420	68.2%
It does not matter	48	7.8%
He should not	95	15.4%
Don't know/hard to say	53	8.6%
Total	616	100.0%

**Table 2. Has Confidence of the Citizens in the Ability of the Governor to Administer Hong Kong Changed After Publication of the His Administrative Report**

	No of Persons	Ratio among Interviewees
It has increased	351	57.0%
Not changed	180	29.2%
Lessened	20	3.2%
Don't know/hard to say	65	10.6%
Total	616	100.0%

**Table 3. Is the Hong Kong Governor's Proposed Reform of the Political System Helpful Toward Realization of the "One Country, Two Systems" and "Hong Kong to be Administered by the Residents of Hong Kong" Objectives?**

	No of Persons	Ratio among Interviewees
It is	380	61.7%
Fifty/fifty	81	13.1%
It is not	58	9.4%
Don't know/hard to say	97	15.7%
Total	616	100.0%

**Table 4. Is the Hong Kong Governor's Proposed Reform of the Political System Helpful Toward Realization of the "One Country, Two Systems" and "Hong Kong to be Administered by the Residents of Hong Kong" Objectives?**

Average Monthly Income	Ratio of Those For to Those Against
No income	5.63:1
Below \$5,000	3.14:1
\$5,000 to \$9,999	7.55:1
\$10,000 to \$14,999	6.62:1
\$15,000 to \$19,999	6.20:1
\$20,000 and over	16.51:1
Overall average	6.55:1

### Key Members of First SAR Government Speculated

93CM0022A Hong Kong CHENG-MING  
[CONTENDING] in Chinese No 180, 1 Oct 92 pp 24-25

[Article by P'ei Chen (5952 4176): "Chinese Communist's 'Initial Pick of People To Govern Hong Kong in 1997'"]

[Excerpts] [Passage omitted] According to a high-level cadre who is familiar with the situation in the Hong Kong and Macao Affairs Office, this office and the State Council's Hong Kong and Macao Policy Research Office in July 1990 began to make plans and arrangements, and at the beginning of this year they set the keynote for the qualifications of the people who will be chosen "to govern Hong Kong": Chinese citizens of Hong Kong who are patriotic, who love Hong Kong, and who are willing to serve its society, including people of industrial, commercial, and banking circles, people who are former Hong Kong government functionaries, and people of specialized circles—the three groups forming an organic whole—will constitute the first Hong Kong Special Administrative Region (SAR) government.

[Passage omitted] In June of this year, the Chinese communists fixed the proportions of the circles that will constitute the first SAR government: industrial, commercial, and banking circles—40 percent; former Hong Kong government functionaries—25 percent; specialists—15 percent; mass organizations at the basic level—10 percent; religious and academic circles—5 percent; and National People's Congress representatives and Chinese People's Political Consultative Conference members—5 percent.

Why are the proportions distributed in this way? State Council Vice Premier Wu Xueqian [0702 1331 6197], who is responsible for Hong Kong, Macao, and Taiwan affairs, when attending in early September a work conference on Hong Kong and Macao, stressed: "Industrial, commercial, and banking circles are the pillars of Hong Kong, and they must not be shaken. We must also give play to the role of former Hong Kong government functionaries, welcoming the high-level functionaries and the serving functionaries who are foreign nationals staying in Hong Kong." [passage omitted]

It is reported that the Chinese communists have already deliberated and are now soliciting opinions on this matter, and have initially picked the personnel for the SAR government preparatory group. Already on the namelist are: Li Chia-ch'eng [2621 0857 6134], An Tzu-chieh [1344 1311 0094], Cheng Hai-ch'uan [6774 3189 3123], Liang Chen-ying [2733 2182 5391], Lieh Hsien-lun [0441 7359 0243], Huang Hung-fa [7806 1347 4099], Li Kuo-pao [2623 0948 1405], Ch'en Tzu-tse [7115 4371 3419], Li Chun-hsia [2621 9689 1115], Li Fu-shan [2621 4395 0810], Kao K'un [7559 6924], Wang Keng-wu [3769 6342 2976], Huang Li-sung [7806 7787 2646], Li P'eng-fei [2621 7720 7378], Hu Hung-lieh [5170 7703 33525], Huang I-hung [7806 1355 1738], Hsia Chia-li [1115 0163 3810], Chang Ping-liang [1728 3521 5328], Feng Chien-chi [7458 2914 1015], Ti Chih-yuan [3695 1807 6678], Liu Huang-fa [0491 4106 4099], Chang Jen-lung [1728 0086 7893], Chang Yu-hsing [1728 2589 5281], Yuan Pei-yao [7086 0554 5069], T'an Hui-tung [6223 6540 1350], Fan Hsu Li-t'ai [5400 1776 7787 3141], Ni Shao-chieh [0242 1421 0267], P'eng Chen-hai [1756 7201 3189], Tu Yeh Hsi-en [2629 5509 6932 1869], Chou Liang Shu-i [6650 2733 3219 1837], Huang Ho [7806 3109], Liu Hua-sen [0491 5478 2773], Cheng Yu-t'ing [6774 5940 4592], Lin Pai-hsin [2651 4102 2946], and Lo K'ang-jui [5012 1660 3843].

[Passage omitted] Furthermore, with regard to the namelist of the senior officials of the first SAR government, the State Council's Hong Kong and Macao Policy Research Office has also made an initial pick, has solicited the opinion of some well-known Hong Kong public figures on individual names, and has also sent some information on the names of private individuals to the British side. It is understood that Wang Keng-wu, Liang Chen-ying, An Tzu-chieh, Ch'en Tzu-tse, Kao K'un, Lo K'ang-jui, Li Kuo-pao, and Li P'eng-fei could become the choices for senior officials of the first SAR government. The individual advice and opinion is leaning toward Lo K'ang-jui, Liang Chen-ying, and Ch'en Tzu-tse, however.

Of these candidates for the leading group in the future SAR government, there could be some who hold foreign national status, and the Hong Kong and Macao Policy

Research Office has proposed to the State Council procedures for simplifying and solving the nationality problem.

[Passage omitted] It is reported that members of the United Democrats of Hong Kong will be completely ruled out by the Chinese communists for participation in the leading group of the first SAR government. In meetings as well as to Hong Kong public figures visiting Beijing, Lu Ping [7627 1627] has stated: "With regard to organizations and persons that say all things Chinese must be opposed, that oppose the Basic Law, that advocates 'Hong Kong self-rule' with the aim of toppling the central people's government, and that up to now have not stopped colluding with foreign politicians to meddle and interfere in Hong Kong's affairs, if there did not exist links, if there did not exist connections through intermediaries, would they deserve recognition? The central government of what sovereign country in the world would allow people, who, with the aim of toppling the central government, collude with foreign politicians to interfere in the country's internal affairs, to join the leading group of the government?"

[Passage omitted] At the work conference on Hong Kong and Macao, Wu Xueqian made a point of affirming the "achievements" of the Hong Kong and Macao Affairs Office and the XINHUA News Agency. Wu Xueqian said: "In their work on Hong Kong, the Hong Kong and Macao Affairs Office and the Hong Kong Office of the

XINHUA News Agency fully implemented and carried out the party's principles and policies for Hong Kong with real effect, and there was a healthy development. There was no Right of 'Left' problem, and the central Politburo always gave them a good assessment." Wu's speech was transmitted to the highest level of Chinese capital organizations residing in Hong Kong and to some well-known Hong Kong public figures.

Wu Xueqian said: "After the 14th CPC Congress the situation will be even more favorable for Hong Kong's development and smooth reversion." Wu Xueqian passed on a piece of news: the high level leading group of the Hong Kong and Macao Affairs Office and the Hong Kong Office of the XINHUA News Agency are completely staffed, and are composed of talented persons who have abundant political, economic, and diplomatic experience." [Passage omitted] It is an indisputable fact that before 1997 the Chinese communists will meddle and interfere in Hong Kong's affairs. The recent initial pick and designation of the senior officials and officials of the 1997 first SAR government, with the intention of interfering in and manipulating SAR affairs, was an act that violated the Sino-British Joint Declaration. This kind of act will only intensify the contradictions in Hong Kong's society, and increase the factors for instability in its political and economic affairs. Deng Xiaoping's promise that "Hong Kong will retain its capitalist system for 50 years without change" will certainly become empty talk.



**Feng Chien-chi, Liao Cheng-li Interviewed**  
93CM0004A Hong Kong TANGTAI  
[CONTEMPORARY] in Chinese No 18, 15 Sep 92  
pp 56-57

[Article by Huang Chien (7806 0256): "Association for Democracy, People's Livelihood Working Over Wide Social Sectors"]

[Excerpt] [Passage omitted] The following is a transcript of the interview. The opinions of Feng and Liao were consistent, and when they answered questions they complemented one another, so when the article was put together their answers were combined.

[Question] How is the association handling relations with Beijing?

[Answer] We very early on discussed the issue of relations with China. When we started we believed that the Chinese Government represents China; this is a fact. But when discussing concrete issues, we differentiate between China (the Chinese nation) and the Chinese Government and its policies, and concentrate on the issues themselves.

In the past, we have had consistent contact with the Hong Kong Branch of XINHUA, with most of this contact being with Cai Peiyuan [5591 1014 6678], deputy director of the Culture and Education Department. The association members also have been members of the Basic Law Consultative Committee. During 10 years of the reform process, the association has also visited Hainan, and we regard China's opening up and reform policies as positive. However, following 4 June, we have not had contacts with the Chinese side, and XINHUA has not contacted us. We believe that we should be somewhat sober-minded, and wait for a suitable time to critically examine relations with China. One year after 4 June, based on changes taking place in China, we again examined the situation, and everyone held the opinion that there were four aspects to how we should handle contacts with China, otherwise we could not fulfil our requirements. These four aspects are: issues related to democracy in Hong Kong; issues touching on significant people's livelihood affairs; issues related to China's four modernizations and democratization; and the issue of a unified China.

We do not want to look mechanically at the problem of relations with China. In fact, we not only must establish links, we must also have our own independent views. Therefore, when Lu Ping arrived in Hong Kong, he came to see us all the same. This year, three full years after 4 June, the association also as usual conducted memorial activities. We both approve of changes in China, and will continue to raise the issue of China.

[Question] At present there are many political groups that are restoring relations with Beijing. What will be the association's approach?

[Answer] We believe that this is not a case of seeking relations. Each political party and political group can act due to their own calculus, and among all the groups there is no struggle of one trying to overtake the other through friendly emulation, and among the political groups there is also no need to "compete for favor," whoever tilts towards Beijing one step, must themselves also catch up one step, and this is not at all necessary. The Chinese Government also has the power to generate relations with any political group, or to have balanced development of relations. This relationship is not at all like a monogamous one, and it is also not like several males seeking a single female. Therefore, to plant roots in Hong Kong's political groups, the association's energy at present is still devoted to Hong Kong issues. For example, the establishment of a democratic system, the improvement of people's livelihood, these are the chief issues. It is not that relations with China are unimportant, it is just that they are secondary issues.

[Question] If I asked you to rank the various political parties and political groups according to the closeness of their relations with China, how would it come out?

[Answer] According to our understanding, they could probably be ranked as follows: from closest to opposed, the order would be:

Democratic Association for the Betterment of Hong Kong  
The Liberal Democratic Federation  
The Association for a Stable Hong Kong  
The New Hong Kong Alliance  
Meeting Point  
Cooperative Resources Center  
The Hong Kong Association To Promote Democracy  
The Association for Democracy and People's Livelihood  
The United Democratic Alliance

[Question] The leftist Alliance for Establishing Democracy is launching efforts to engage in mass work at the grass roots level, and has considerable experience, while the United Democrats also have consistently walked the path of struggle to obtain grass roots support. This is very much like the support-related goals of the association, and in facing these two great forces, how will the association deal with the situation?

[Answer] First, much work at the district level remains, and it is far from complete. In addition, there are not just one or two political organizations that will be able to take over everything. On the contrary, fighting for success at the grass roots level requires looking at and determining the degree to which various organizations are launching work at the grass roots level, hence everyone has different space.

In addition, everyone has different views when it comes to certain issues of the people's livelihood and measures that can be taken. For example, we believe that there are some questions for which demonstrations can be used, so people can present a petition to express their dissatisfaction, but the Alliance for Establishing Democracy does

not feel that this method is appropriate. Also, for example, on the issue of China, we can adopt diversified methods, but the Alliance for Establishing Democracy wants to consider relations with China, not daring to speak freely. Hence, the association, in certain aspects, feels like its baggage is comparatively light.

In addition, the association in the days to come will put more effort into fostering local leadership, and will strengthen its policy research. We have established 10 policy research committees, and have successively opened up Western Kowloon Residents Service Bureau and the Tunmen Liaison Bureau. We can see that mobilization power will be extremely crucial.

When it comes to the United Democrats, we also believe they are a formidable force. They are struggling for democracy, and their demand for the improvement of people's livelihoods is similar to that of the association, though over the short term everyone must engage in work in the various sectors of society. Hence, we can only do our best.

[Question] Will the association develop into a political party?

[Answer] The association's development to this point more or less can be divided into three stages. Before the 1991 direct elections, the association's organizational structure for becoming a political party was comparatively loose, and it did not yet have the scale of a political organization. After the 1991 direct elections, we saw that if we wanted to participate in government and discuss politics, it would be necessary to use the desire for political participation to replace the old concept of

participating in social work we had taken as just work. Hence, the association's organizational structure was also changed. For example, under the Executive Committee there is a legislative members group, which is responsible for tracking current events, to strengthen canvassing and legislative work. At present, we are entering the third stage. Nevertheless, before we become a political party, there are two matters which must first be handled. First, expanding local branches, second, strengthening the policy area. Only through consolidation work in these two areas will the association be able to become a political party. The association is still registered as a social group.

[Question] How is the association preparing for the direct elections in 1995?

[Answer] At present we still have not had a very detailed discussion of this. Before the 1991 direct elections, the establishment of the United Democrats greatly reduced the strength of the association. This is a fact. At that time the association altogether totalled more than 120 members. Of these, approximately 70 people went to the United Democrats or left for other reasons. Among the 32 legislative members of various levels, 15 people left. Nevertheless, the work of the association did not reach a point of paralysis. Later it was able to continue developing. Now membership in the association has increased to more than 110 people, and 70 people are now serving at various levels as legislative members, while eight full-time members have been invited to be responsible for association affairs. In this stage we will continue to build a good internal structure, and perhaps after six months, we will deliberate on a list of members who will participate in the 1995 elections.

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